

# RICHMOND

## *LOCAL MUNICIPALITY*

---



# 2014/15

*ANNUAL FINANCIAL STATEMENTS*

*for the year ended*

*30 June 2015*

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**INDEX**

<b>NO</b>	<b>CONTENTS</b>	<b>PAGE</b>
1	General Information and Approval of Annual Financial Statements	2
2	Members of the Council	4
3	Foreword	5
4	Audit Report	6
5	Report of the Chief Financial Officer	7
6	Statement of Financial Position	16
7	Statement of Financial Performance	17
8	Statement of Changes in Net Assets	18
9	Cash Flow Statement	19
10	Statement of Comparison of Budget and Actual Amounts	20
11	Accounting Policies	35
12	Notes to the Annual Financial Statements	59
	Appendices in terms of GRAP1.12 and .19:	
13	A Schedule of External Loans	121
14	B Analysis of Property, Plant and Equipment	123
15	C Segmental Analysis of Property, Plant and Equipment	127
16	D Segmental Statement of Financial Performance	128
17	E Budget Reconciliations	129
18	F Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	134
19	G Statement of Remuneration of Management	135
20	H Ratio Analysis Schedule	137

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**GENERAL INFORMATION**

**MAYOR**

Cllr. A. Ragavaloo

**DEPUTY MAYOR**

Cllr. P.C. Ngcobo

**SPEAKER**

Cllr. S.T. Shabalala (Vacant from 01/02/2015 to 30/06/2015)

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Mayor

Deputy Mayor

Councillor: T.D. Kunene

**GRADING OF THE LOCAL AUTHORITY**

Grade 4

**AUDITORS**

External: Auditor General

Internal: Umnotho Business Consultants

**PRIMARY BANKER**

First National Bank

**REGISTERED OFFICE**

Memorial Hall  
57 Shepstone Street  
RICHMOND  
3780

Private Bag 1028  
RICHMOND  
3780

Telephone: (033) 212-2155

Facsimile: (033) 212-4183

E-Mail: [sibusiso.sithole@richmond.gov.za](mailto:sibusiso.sithole@richmond.gov.za)

**MUNICIPAL MANAGER**

E.S. Sithole

(033) 212-2155

[sibusiso.sithole@richmond.gov.za](mailto:sibusiso.sithole@richmond.gov.za)

**CHIEF FINANCIAL OFFICER**

S. Mewalall

(033) 212-2155

[cfo@richmond.gov.za](mailto:cfo@richmond.gov.za)

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**GENERAL INFORMATION (continued)**

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 140, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2015.

---

**E.S. SITHOLE**  
**MUNICIPAL MANAGER**  
31 August 2015

---

**S. MEWALALL**  
**CHIEF FINANCIAL OFFICER**  
31 August 2015

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**MEMBERS OF THE COUNCIL**

WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
1	Ragavaloo A	ANC	Moonsamay P	ANC
2	Shabalala ST	ANC	Ngcobo PC	ANC
	- to 31/01/2015			
	Tshelembe WT			
	- from 02/04/2015			
3	Magubane KE	IND	Maphumulo M	ANC
4	Shange RB	ANC	Ngubo MDB	ANC
5	Ngcongo B	ANC	Mdlalose SA	ANC
6	Jili J	ANC	Madonda TC	DA
	- to 31/01/2015			
	- from 02/04/2015			
7	Kunene TD	ANC	Mngadi BM	UDM

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
**E.S. SITHOLE**  
**MUNICIPAL MANAGER**  
 31 August 2015

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**FOREWORD**

During the 2014/15 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously forgotten. Further to ensure that compliance with Batho Pele principles is adhered to at all times, we call upon our Councillors, Community Development Workers and Ward Committees to discharge their responsibilities in the spirit of co-operative governance.

Although capital infrastructure projects were limited to those financed from external grant funding, the municipality has successfully finalised some of the projects identified in the Integrated Development Plan. There has been significant under spending in this regard and the municipality has already submitted a request for roll-over of budget to both CoGTA and National Treasury.

The municipality will in the 2015/16 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2014/15 projects.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the 2014/15 year and hope that the 2015/16 targets set in the Integrated Development Plan will be met.

I thank you.

---

**CLR A. RAGAVALOO**  
**MAYOR**  
31 August 2015

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**AUDIT REPORT**

The 2014/15 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

**RICHMOND LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015  
  
**REPORT OF THE CHIEF FINANCIAL OFFICER**

## 1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Richmond Local Municipality at 30 June 2015.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2014/15 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Employee Benefit Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants and Payables.

## 2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

### 2.1 Financial Statement Ratios:

INDICATOR	2015	2014
Surplus / (Deficit) before Appropriations	27 166 157	23 011 276
Surplus / (Deficit) at the end of the Year	167 937 114	140 770 957
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	39.41%	39.28%
Remuneration of Councillors	5.76%	6.03%
Collection Costs	0.01%	0.03%
Depreciation and Amortisation	10.89%	10.22%
Impairment Losses	2.68%	2.04%
Repairs and Maintenance	3.66%	4.16%
Interest Paid	-0.28%	1.09%
Bulk Purchases	0.00%	0.00%
Contracted Services	10.89%	9.52%
Grants and Subsidies Paid	1.93%	3.20%
General Expenses	24.90%	23.84%
Current Ratio:		
Trade Creditors Days	30	30
Debtors from Exchange Transactions Days	10	43

## 2.2 Performance Indicators:

INDICATOR	2015	2014
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	8.22%	8.62%
Outstanding Service Debtors to Revenue	31.10%	31.67%
Liquidity Management:		
Liquidity Ratio	2.48	1.77
Liability Management:		
Capital Cost as percentage of Own Revenue	-0.60%	4.23%
Borrowed Funding as percentage of Own Capital Expenditure	9.32%	0.00%
Borrowing as percentage of Total Capital Assets	0.07%	0.00%
Safety of Capital:		
Gearing	0.06%	0.00%
Financial Viability:		
Debt Coverage	7.46	8.62
Cost Coverage	0.76	0.82
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	17.30%	12.22%
Capital Expenditure on Infrastructure to Total Capital Expenditure	60.93%	48.70%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Richmond Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	140 523 631	117 523 182	19.57	-	100.00
Operating income for the year	96 796 236	85 160 248	13.66	98 933 703	(2.16)
Appropriations for the year	(12 722)	(10 828)	17.50	-	100.00
	237 307 145	202 672 603	17.09	98 933 703	139.86
<b>Expenditure:</b>					
Operating expenditure for the year	69 630 079	62 148 972	12.04	74 222 812	(6.19)
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	167 677 066	140 523 631	19.32	24 710 891	578.56
	237 307 145	202 672 603	17.09	98 933 703	139.86

### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	93 856 979	81 063 981	15.78	96 008 406	(2.24)
Expenditure	57 613 390	48 768 391	18.14	60 458 339	(4.71)
Surplus / (Deficit)	36 243 589	32 295 590	12.22	35 550 067	1.95
Surplus / (Deficit) as % of total income	38.62%	39.84%		37.03%	

### 3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	348 445	1 360 540	(74.39)	348 445	-
Expenditure	348 445	1 360 540	(74.39)	348 445	-
Surplus / (Deficit)	-	0	(100.00)	-	-
Surplus / (Deficit) as % of total income	100.00%	0.00%		100.00%	

### 3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	929 266	1 208 931	(23.13)	929 782	(0.06)
Expenditure	2 160 593	3 056 432	(29.31)	2 955 422	(26.89)
Surplus / (Deficit)	(1 231 327)	(1 847 500)	(33.35)	(2 025 640)	(39.21)
Surplus / (Deficit) as % of total income	(132.51)%	(152.82)%		(217.86)%	

#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R26 958 617 (2013/14: R24 100 021). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R26 958 617 was financed as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Finance Leases	242 307	-	100.00	-	100.00
Grants and Subsidies	24 010 167	16 154 785	48.63	30 777 166	(21.99)
Public Contributions	349 254	27 522	1 168.98	377 272	(7.43)
Own Funds (Accumulated Surplus)	2 356 889	8 362 212	(71.82)	2 695 000	(12.55)
	26 958 617	24 544 519	9.84	34 091 438	(20.92)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2015	2014
Finance Leases	0.90%	-
Grants and Subsidies	89.06%	65.82%
Public Contributions	1.30%	0.11%
Own Funds (Accumulated Surplus)	8.74%	34.07%
	100.00%	100.00%

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	24 710 891	10 576 563
Revenue variances	(2 137 467)	17 008 990
Expenditure variances:		
Employee Related Costs	1 639 801	2 526 762
Remuneration of Councillors	200 778	157 650
Collection Costs	35 343	30 922
Depreciation and Amortisation	(401 191)	(770 161)
Impairment Losses	(965 604)	(1 266 130)
Repairs and Maintenance	466 123	940 635
Interest Paid	440 008	(676 392)
Contracted Services	799 935	(2 660 199)
Grants and Subsidies Paid	5 505	(1 262 752)
General Expenses	2 479 002	(1 231 365)
Loss on disposal of Property, Plant and Equipment	(106 967)	(363 247)
Actual surplus before appropriations	27 166 157	23 011 276

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	24 710 891	22 729 903
Executive and Council	561 885	753 208
Budget and Treasury Office	1 004 321	1 315 724
Corporate Services	967 431	859 302
Community and Social Services	238 395	3 750 248
Public Safety	215 936	191 086
Sport and Recreation	920 787	463 038
Housing	-	0
Planning and Development	(2 162 557)	(7 029 349)
Roads and Transport	(85 245)	37 153
Waste Management	794 313	(59 037)
Actual surplus before appropriations	27 166 157	23 011 276

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

## 5.2 Capital Budget:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Variance actual 2014/15 / 2013/14 R	Budgeted 2014/15 R	Variance actual/ budgeted R
Executive and Council	50 048	45 488	4 559	238 669	(188 621)
Budget and Treasury Office	62 485	138 363	(75 878)	71 331	(8 846)
Corporate Services	458 676	46 446	412 230	441 000	17 676
Community and Social Services	1 159 914	10 919 685	(9 759 771)	1 273 090	(113 176)
Sport and Recreation	21 176	-	21 176	339 000	(317 824)
Public Safety	7 298 381	-	7 298 381	8 389 000	(1 090 619)
Planning and Development	-	1 341 845	(1 341 845)	257 000	(257 000)
Roads and Transport	16 508 187	12 052 693	4 455 494	21 654 566	(5 146 379)
Waste Management	1 399 751	-	1 399 751	1 427 782	(28 031)
	26 958 617	24 544 519	2 414 098	34 091 438	(7 132 821)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R167 937 114 (30 June 2014: R140 770 957) and is made up as follows:

Accumulated Surplus	167 677 066
	<u>167 677 066</u>

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

## 7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R106 765 (30 June 2014: R0).

Loans to the amount of R242 307 (2013/14: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 20 and Appendix "A" for more detail.

## 8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R9 093 674 as at 30 June 2015 (30 June 2014: R8 058 821) and is made up as follows:

Post-retirement Health Care Benefits Liability	7 713 311
Long Service Awards Liability	<u>1 380 363</u>
	<u>9 093 674</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 21 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R2 224 176 as at 30 June 2015 (30 June 2014: R2 510 362) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	2 224 176
	<u>2 224 176</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R18 941 486 as at 30 June 2015 (30 June 2014: R25 877 325) and is made up as follows:

Provisions	Note 15	272 416
Payables from Exchange Transactions	Note 16	8 144 122
Payables from Non-exchange Transactions	Note 17	2 681 333
Unspent Conditional Grants and Receipts	Note 18	7 416 519
Operating Lease Liabilities	Note 19	332 120
Current Portion of Long-term Liabilities	Note 20	94 976
		<u>18 941 486</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R140 635 708 as at 30 June 2015 (30 June 2014: R121 376 530).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

## 12. INTANGIBLE ASSETS

The net value of Intangible Assets were R7 748 as at 30 June 2015 (30 June 2014: R11 518).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

## 13. INVESTMENT PROPERTY

The net value of Investment Properties were R4 114 852 as at 30 June 2015 (30 June 2014: R4 114 852).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

#### 14. HERITAGE ASSETS

The net value of Heritage Assets were R60 880 as at 30 June 2015 (30 June 2014: R128 080).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 12 and Appendix "B" for more detail.

#### 15. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R266 as at 30 June 2015 (30 June 2014: R266).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 13 for more detail.

#### 16. LONG-TERM RECEIVABLES

Long-term Receivables have been completely redeemed and no amounts are carried.

Refer to Note 14 for more detail.

#### 17. CURRENT ASSETS

Current Assets amounted R53 483 760 as at 30 June 2015 (30 June 2014: R51 586 218) and is made up as follows:

Inventories	Note 2	85 863
Receivables from Exchange Transactions	Note 4	294 522
Receivables from Non-exchange Transactions	Note 5	5 090 744
VAT Receivable	Note 6	949 460
Cash and Cash Equivalents	Note 7	<u>47 063 172</u>
		<u>53 483 760</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

#### 18. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 28, and Appendix "F" for more detail.

## **19. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 60.

## **20. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

---

**CHIEF FINANCIAL OFFICER**

31 August 2015

**RICHMOND LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

		Actual	
	Note	2015 R	2014 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>53 483 760</b>	<b>51 586 218</b>
Inventories	2	85 863	166 619
Receivables from Exchange Transactions	4	294 522	1 171 771
Receivables from Non-exchange Transactions	5	5 090 744	3 878 159
VAT Receivable	6	949 460	685 773
Cash and Cash Equivalents	7	47 063 172	45 674 128
Current Portion of Long-term Receivables	8	-	9 768
<b>Non-Current Assets</b>		<b>144 819 455</b>	<b>125 631 247</b>
Property, Plant and Equipment	9	140 635 708	121 376 530
Intangible Assets	10	7 748	11 518
Investment Property	11	4 114 852	4 114 852
Heritage Assets	12	60 880	128 080
Non-current Investments	13	266	266
Long-term Receivables	14	0	0
<b>Total Assets</b>		<b>198 303 215</b>	<b>177 217 465</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>18 941 486</b>	<b>25 877 325</b>
Provisions	15	272 416	207 681
Payables from Exchange Transactions	16	8 144 122	5 580 793
Payables from Non-exchange Transactions	17	2 681 333	2 407 665
Unspent Conditional Grants and Receipts	18	7 416 519	17 364 240
Operating Lease Liabilities	19	332 120	296 176
Current Portion of Long-term Liabilities	20	94 976	20 770
<b>Non-Current Liabilities</b>		<b>11 424 615</b>	<b>10 569 183</b>
Long-term Liabilities	20	106 765	0
Employee Benefit Liabilities	21	9 093 674	8 058 821
Non-current Provisions	22	2 224 176	2 510 362
<b>Total Liabilities</b>		<b>30 366 101</b>	<b>36 446 507</b>
<b>Total Assets and Liabilities</b>		<b>167 937 114</b>	<b>140 770 957</b>
<b>NET ASSETS</b>		<b>167 937 114</b>	<b>140 770 957</b>
Accumulated Surplus / (Deficit)	23	167 937 114	140 770 957
<b>Total Net Assets</b>		<b>167 937 114</b>	<b>140 770 957</b>

**RICHMONT LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Actual	
		2015	2014
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	24	10 167 863	9 437 738
Property Rates - Penalties imposed and collection charges	31	1 037 247	824 167
Fines	25	168 550	138 000
Licences and Permits	26	325 603	377 056
Income from Agency Services	27	558 232	515 261
Government Grants and Subsidies Received	28	74 934 616	65 595 223
<b>Revenue from Exchange Transactions</b>			
Service Charges	29	425 934	405 186
Rental of Facilities and Equipment	30	5 583 050	5 176 990
Interest Earned - External Investments	31	2 868 356	2 120 545
Interest Earned - Outstanding Debtors	31	103 920	132 978
Other Revenue	32	622 867	437 105
Gains on Disposal of Property, Plant and Equipment	43	-	-
<b>Total Revenue</b>		<b>96 796 236</b>	<b>85 160 248</b>
<b>EXPENDITURE</b>			
Employee Related Costs	33	27 440 156	24 411 536
Remuneration of Councillors	34	4 013 283	3 750 576
Collection Costs	35	4 657	19 078
Depreciation and Amortisation	36	7 582 132	6 353 939
Impairment Losses	37	1 865 604	1 266 130
Repairs and Maintenance	38	2 545 247	2 583 435
Finance Costs	39	(191 778)	677 692
Contracted Services	40	7 583 504	5 916 939
Grants and Subsidies Paid	41	1 345 454	1 987 752
General Expenses	42	17 334 852	14 818 648
Loss on Disposal of Property, Plant and Equipment	43	106 967	363 247
<b>Total Expenditure</b>		<b>69 630 079</b>	<b>62 148 972</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>27 166 157</b>	<b>23 011 276</b>
Refer to Budget Statement for explanation of budget variances			

**RICHMOND LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE**

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
<b>2014</b>		
Balance at 30 June 2013	117 759 681	117 759 681
Change in Accounting Policy (Note 44)	-	-
Correction of Error (Note 45)	-	-
<b>Restated Balance</b>	<b>117 759 681</b>	<b>117 759 681</b>
Surplus / (Deficit) for the year	23 011 276	23 011 276
Interest allocated to Funds and Reserves	-	-
<b>Balance at 30 June 2014</b>	<b>140 770 957</b>	<b>140 770 957</b>
<b>2015</b>		
Change in Accounting Policy (Note 44)	-	-
Correction of Error (Note 45)	-	-
<b>Restated Balance</b>	<b>140 770 957</b>	<b>140 770 957</b>
Surplus / (Deficit) for the year	27 166 157	27 166 157
Interest allocated to Funds and Reserves	-	-
<b>Balance at 30 June 2015</b>	<b>167 937 114</b>	<b>167 937 114</b>
	-	-

Details on the movement of the Funds and Reserves are set out in Note 23.

**RICHMOND LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

		Actual	
	Note	2015	2014
		R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	24	8 209 505	7 785 836
Government Grant and Subsidies	28	64 986 894	62 777 047
Service Charges	29	1 141 729	394 977
Interest Received	31	2 868 356	2 120 545
Other Receipts	32	7 268 482	5 114 136
<b>Payments</b>			
Employee Related Costs	33	(26 340 568)	(24 256 269)
Remuneration of Councillors	34	(4 013 283)	(3 750 576)
Interest Paid	39	191 778	(677 692)
Suppliers Paid	40	(7 484 666)	(8 756 486)
Other Payments	42	(18 661 537)	(15 804 696)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>28 166 690</b>	<b>24 946 822</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(26 958 617)	(24 097 821)
Purchase of Intangible Assets	10	-	(2 200)
Proceeds on Disposal of Property, Plant and Equipment		(67 200)	(363 247)
Decrease / (Increase) in Long-term Receivables	14	-	1 926 031
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(26 958 617)</b>	<b>(22 537 237)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings	20	242 307	-
Repayment of Borrowings	20	(61 336)	(150 364)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>180 971</b>	<b>(150 364)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7	<b>1 389 044</b>	<b>2 259 221</b>
Cash and Cash Equivalents at Beginning of Period		45 674 128	43 414 907
Cash and Cash Equivalents at End of Period		47 063 172	45 674 128

**RICHMOND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	186 000	-	186 000	-	-	186 000	85 863	-	(100 137)	46.16	46.16
Receivables from Exchange Transactions	2 298 000	-	2 298 000	-	-	2 298 000	294 522	-	(2 003 478)	12.82	12.82
Receivables from Non-exchange Transactions	1 312 000	-	1 312 000	-	-	1 312 000	5 090 744	-	3 778 744	388.01	388.01
VAT Receivable	-	-	-	-	-	-	949 460	-	949 460	0.00	0.00
Cash and Cash Equivalents	74 372 000	(43 270 000)	31 102 000	-	-	31 102 000	47 063 172	-	15 961 172	151.32	63.28
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	113 164 000	-	113 164 000	-	-	113 164 000	140 635 708	-	27 471 708	124.28	124.28
Intangible Assets	16 000	-	16 000	-	-	16 000	7 748	-	(8 252)	48.42	48.42
Investment Property	4 115 000	-	4 115 000	-	-	4 115 000	4 114 852	-	(148)	100.00	100.00
Heritage Assets	-	-	-	-	-	-	60 880	-	60 880	0.00	0.00
Non-current Investments	6 598 000	-	6 598 000	-	-	6 598 000	266	-	(6 597 734)	0.00	0.00
Long-term Receivables	10 000	-	10 000	-	-	10 000	0	-	(10 000)	0.00	0.00
<b>Total Assets</b>	202 071 000	(43 270 000)	158 801 000	-	-	158 801 000	198 303 215	-	39 502 215	124.88	98.14
<b>Current Liabilities</b>											
Provisions	-	-	-	-	-	-	272 416	-	272 416	0.00	0.00
Payables from Exchange Transactions	1 402 000	-	1 402 000	-	-	1 402 000	8 144 122	-	6 742 122	580.89	580.89
Payables from Non-exchange Transactions	-	-	-	-	-	-	2 681 333	-	2 681 333	0.00	0.00
Unspent Conditional Grants and Receipts	21 357 000	-	21 357 000	-	-	21 357 000	7 416 519	-	(13 940 481)	34.73	34.73
Operating Lease Liabilities	156 000	-	156 000	-	-	156 000	332 120	-	176 120	212.90	212.90
Current Portion of Long-term Liabilities	-	-	-	-	-	-	94 976	-	94 976	0.00	0.00
<b>Non-Current Liabilities</b>											
Long-term Liabilities	21 000	-	21 000	-	-	21 000	106 765	-	85 765	508.40	508.40
Retirement Benefit Liabilities	7 493 500	-	7 493 500	-	-	7 493 500	9 093 674	-	1 600 174	121.35	121.35
Non-current Provisions	3 273 500	-	3 273 500	-	-	3 273 500	2 224 176	-	(1 049 324)	67.94	67.94
<b>Total Liabilities</b>	33 703 000	-	33 703 000	-	-	33 703 000	30 366 101	-	(3 336 899)	90.10	90.10
<b>Total Assets and Liabilities</b>	<b>168 368 000</b>	<b>(43 270 000)</b>	<b>125 098 000</b>	<b>-</b>	<b>-</b>	<b>125 098 000</b>	<b>167 937 114</b>	<b>-</b>	<b>42 839 114</b>	<b>134.24</b>	<b>99.74</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	168 368 000	(43 270 000)	125 098 000	-	-	125 098 000	167 937 114	-	42 839 114	134.24	99.74
<b>Total Net Assets</b>	<b>168 368 000</b>	<b>(43 270 000)</b>	<b>125 098 000</b>	<b>-</b>	<b>-</b>	<b>125 098 000</b>	<b>167 937 114</b>	<b>-</b>	<b>42 839 114</b>	<b>134.24</b>	<b>99.74</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Inventories were over-budgeted for.

Receivables from Exchange Transactions:

It was over-budgeted for Receivables from Exchange Transactions.

Receivables from Non-exchange Transactions:

It was under-budgeted for Receivables from Exchange Transactions.

VAT Receivable:

Claim for Input VAT not yet paid by SARS. NT Budget Templates not aligned to GRAP - included in Payables.

Cash and Cash Equivalents:

It was not budgeted for Unspent Grants at year-end.

Property, Plant and Equipment:

It was under-budgeted for Infrastructure Projects.

Intangible Assets:

It was over-budgeted for Intangible Assets - immaterial amount.

Heritage Assets:

NT Budget Template not aligned to GRAP - included in budget for Property, Plant & Equipment.

Non-current Investments:

It was budgeted for Notice Deposits - included in Cash and Cash Equivalents.

Long-term Receivables:

It was not budgeted for the redemption of Long-term Receivables.

Provisions:

It was not budgeted for Provisions.

Payables from Exchange Transactions:

It was under-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was over-budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Bank Overdraft:

It was not budgeted for an Overdraft.

Current Portion of Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Retirement Benefit Liabilities:

Included in budget for Non-current Provisions.

Non-current Provisions:

Includes budget for Retirement Benefit Liabilities

Accumulated Surplus / (Deficit):

It was under-budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	9 752 000	200 000	9 952 000	-	-	9 952 000	10 167 863	-	215 863	102.17	104.26
Property Rates - Penalties imposed and collection charges	450 000	100 000	550 000	-	-	550 000	1 037 247	-	487 247	188.59	230.50
Fines	252 750	(200 000)	52 750	-	-	52 750	168 550	-	115 800	319.53	66.69
Licences and Permits	630 500	(250 000)	380 500	-	-	380 500	325 603	-	(54 897)	85.57	51.64
Income for Agency Services	536 350	15 650	552 000	-	-	552 000	558 232	-	6 232	101.13	104.08
Government Grants and Subsidies Received	65 786 000	12 680 423	78 466 423	-	-	78 466 423	47 616 071	-	(30 850 352)	60.68	72.38
<b>Revenue from Exchange Transactions</b>											
Service Charges	400 000	-	400 000	-	-	400 000	425 934	-	25 934	106.48	106.48
Rental of Facilities and Equipment	1 114 270	3 651 000	4 765 270	-	-	4 765 270	5 583 050	-	817 780	117.16	501.05
Interest Earned - External Investments	1 800 000	1 200 000	3 000 000	-	-	3 000 000	2 868 356	-	(131 644)	95.61	159.35
Interest Earned - Outstanding Debtors	120 000	8 000	128 000	-	-	128 000	103 920	-	(24 080)	81.19	86.60
Other Income	480 260	206 500	686 760	-	-	686 760	622 867	-	(63 893)	90.70	129.69
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	81 322 130	17 611 573	98 933 703	-	-	98 933 703	69 477 691	-	(29 456 011)	70.23	85.44
<b>Expenditure</b>											
Employee Related Costs	30 719 457	(1 633 900)	29 085 558	(5 600)	-	29 079 958	27 440 156	-	(1 639 801)	94.36	89.33
Remuneration of Councillors	4 214 061	-	4 214 061	-	-	4 214 061	4 013 283	-	(200 778)	95.24	95.24
Collection Costs	40 000	-	40 000	-	-	40 000	4 657	-	(35 343)	11.64	11.64
Depreciation and Amortisation	6 148 706	1 032 235	7 180 941	-	-	7 180 941	7 582 132	401 191	401 191	105.59	123.31
Impairment Losses	500 000	400 000	900 000	-	-	900 000	1 865 604	965 604	965 604	207.29	373.12
Repairs and Maintenance	3 244 197	(175 493)	3 068 704	(57 334)	-	3 011 370	2 545 247	-	(466 123)	84.52	78.46
Finance Costs	234 330	13 900	248 230	-	-	248 230	(191 778)	-	(440 008)	0.00	0.00
Contracted Services	5 081 211	3 302 228	8 383 439	-	-	8 383 439	7 583 504	-	(799 935)	90.46	149.25
Grants and Subsidies Paid	944 000	377 820	1 321 820	29 140	-	1 350 960	1 345 454	-	(5 505)	99.59	142.53
General Expenses	15 131 131	4 648 929	19 780 060	33 794	-	19 813 854	17 334 852	-	(2 479 002)	87.49	114.56
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	106 967	106 967	106 967	0.00	0.00
<b>Total Expenditure</b>	66 257 093	7 965 719	74 222 812	-	-	74 222 812	69 630 079	1 473 763	(4 592 732)	93.81	105.09
<b>Surplus/(Deficit)</b>	15 065 037	9 645 854	24 710 891	-	-	24 710 891	(152 388)	(1 473 763)	(24 863 279)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	27 318 545	27 318 545	27 318 545	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	15 065 037	9 645 854	24 710 891	-	-	24 710 891	27 166 157	25 844 782	2 455 266	109.94	180.33

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

Penalties and Collection Charges imposed exceeded budgetary expectations.

Fines:

Fines issued and paid exceeded budgetary expectations, and the stipulations of IGRAP1 was not considered during the budgeting process.

Licences and Permits:

It was under-budgeted for Licences and Permits.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

Rental of Facilities and Equipment:

It was under-budgeted for rental received for the Plantation.

Interest Earned - Outstanding Debtors:

It was over-budgeted for interest received from Receivables.

Other Income:

Other Income budgeted for did not materialise.

Collection Costs:

It was over-budgeted for Collection Costs.

Impairment Losses:

It was under-budgeted for Impairment Losses on Debtors.

Repairs and Maintenance:

It was over-budgeted for Repairs and Maintenance.

Finance Costs:

Experienced a negative interest cost for Unwinding of Rehabilitation Site due to rehabilitation work done.

Contracted Services:

It was over-budgeted for expenditure incurred for the Plantation.

General Expenses :

NT Budget Template not aligned to GRAP - General Expenses include other streams of expenditure.

Loss on Disposal of Property, Plant and Equipment:

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	-	250 000	250 000	(11 331)	-	238 669	50 048	-	(188 621)	20.97	0.00
Budget and Treasury Office	35 000	25 000	60 000	11 331	-	71 331	62 485	-	(8 846)	87.60	178.53
Corporate Services	17 000	424 000	441 000	-	-	441 000	458 676	17 676	17 676	104.01	2 698.09
Community and Social Services	15 000	1 268 090	1 283 090	(10 000)	-	1 273 090	1 159 914	-	(113 176)	91.11	7 732.76
Sport and Recreation	2 300 000	(2 196 000)	104 000	235 000	-	339 000	21 176	-	(317 824)	6.25	0.92
Public Safety	94 000	8 295 000	8 389 000	-	-	8 389 000	7 298 381	-	(1 090 619)	87.00	7 764.23
Planning and Development	214 700	32 300	247 000	10 000	-	257 000	-	-	(257 000)	0.00	0.00
Roads and Transport	18 823 000	3 066 566	21 889 566	(235 000)	-	21 654 566	16 508 187	-	(5 146 379)	76.23	87.70
Waste Management	-	1 427 782	1 427 782	-	-	1 427 782	1 399 751	-	(28 031)	98.04	0.00
<b>Total Capital Expenditure</b>	<b>21 498 700</b>	<b>12 592 738</b>	<b>34 091 438</b>	<b>-</b>	<b>-</b>	<b>34 091 438</b>	<b>26 958 617</b>	<b>17 676</b>	<b>(7 132 821)</b>	<b>79.08</b>	<b>125.40</b>

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Furniture and Equipment budgeted for were not procured.

Budget and Treasury Office:

Expenditure budgeted for under Corporate Services.

Corporate Services:

Expenditure budgeted for incurred under Budget and Treasury Office.

Community and Social Services:

Richmond Drivers' Testing Centre budgeted for under Public Safety.

Sport and Recreation:

Projects budgeted for, were not completed and are carried over to 2015/16.

Public Safety:

Richmond Drivers' Testing Centre expenditure incurred under Community and Social Services.

Planning and Development:

Budget for projects included in Waste Management.

Roads and Transport:

MIG Projects budgeted for, were not completed and are carried over to 2015/16.

Waste Management:

Expenditure budgeted for incurred under Planning and Development.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	11 616 000	-	11 616 000	-	-	11 616 000	8 209 505	-	(3 406 495)	70.67	70.67
Grants	1 800 000	-	1 800 000	-	-	1 800 000	64 986 894	63 186 894	63 186 894	3 610.38	3 610.38
Service Charges	46 917 000	(473 000)	46 444 000	-	-	46 444 000	1 141 729	-	(45 302 271)	2.46	2.43
Interest Received	-	-	-	-	-	-	2 868 356	2 868 356	2 868 356	0.00	0.00
Other Receipts	18 865 000	(1 140 000)	17 725 000	-	-	17 725 000	7 268 482	-	(10 456 518)	41.01	38.53
Employee Related Costs	-	-	-	-	-	-	(26 340 568)	-	(26 340 568)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(4 013 283)	-	(4 013 283)	0.00	0.00
Interest Paid	(114 000)	-	(114 000)	-	-	(114 000)	191 778	305 778	305 778	0.00	0.00
Suppliers Paid	(56 992 000)	-	(56 992 000)	-	-	(56 992 000)	(7 484 666)	49 507 334	49 507 334	0.00	0.00
Other Payments	(760 000)	-	(760 000)	-	-	(760 000)	(18 661 537)	-	(17 901 537)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(21 499 000)	(12 592 000)	(34 091 000)	-	-	(34 091 000)	(26 958 617)	7 132 383	7 132 383	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	(67 200)	-	(67 200)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	242 307	242 307	242 307	0.00	0.00
Loans repaid	(140 000)	-	(140 000)	-	-	(140 000)	(61 336)	78 664	78 664	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(307 000)</b>	<b>(14 205 000)</b>	<b>(14 512 000)</b>	<b>-</b>	<b>-</b>	<b>(14 512 000)</b>	<b>1 389 044</b>	<b>123 388 915</b>	<b>15 901 044</b>	<b>0.00</b>	<b>0.00</b>

<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:	
Property Rates	
It was over-budgeted for revenue inflow.	
Grants	
It was under-budgeted for Grants.	
Service Charges	
It was over-budgeted for Service Charges.	
Interest Received	
It was not budgeted for Interest Received.	
Other Receipts	
It was under-budgeted for Other Receipts.	
Employee Related Costs	
Budget not aligned to GRAP - included in budget for Suppliers Paid.	
Remuneration of Councillors	
Budget not aligned to GRAP - included in budget for Suppliers Paid.	
Interest Paid	
Experienced a negative interest cost for Unwinding of Rehabilitation Site due to rehabilitation work done.	
Suppliers Paid	
Budget not aligned to GRAP - other streams of expenditure included in budget for Suppliers Paid.	
Other Payments	
It was under-budgeted for Other Payments.	
Purchase of Property, Plant and Equipment:	
It was over-budgeted for Purchase of Property, Plant and Equipment.	
New Loans raised:	
It was not budgeted for External Loans Raised.	
Loans repaid:	
It was over-budgeted for Loans Repaid.	
Cash and Cash Equivalents at End of the Year:	
It was under-budgeted for Cash and Cash Equivalents.	

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	186 000	-	186 000	-	-	186 000	166 619	-	(19 381)	89.58	89.58
Receivables from Exchange Transactions	1 568 000	(145 000)	1 423 000	-	-	1 423 000	1 171 771	-	(251 229)	82.35	74.73
Receivables from Non-exchange Transactions	1 226 000	-	1 226 000	-	-	1 226 000	3 878 159	-	2 652 159	316.33	316.33
VAT Receivable	-	-	-	-	-	-	685 773	-	685 773	0.00	0.00
Cash and Cash Equivalents	30 556 000	20 000 000	50 556 000	-	-	50 556 000	45 674 128	-	(4 881 872)	90.34	149.48
Current Portion of Long-term Receivables	-	-	-	-	-	-	9 768	-	9 768	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	126 150 000	(19 134 000)	107 016 000	-	-	107 016 000	121 376 530	-	14 360 530	113.42	96.22
Intangible Assets	24 000	(10 000)	14 000	-	-	14 000	11 518	-	(2 482)	82.27	47.99
Investment Property	4 115 000	-	4 115 000	-	-	4 115 000	4 114 852	-	(148)	100.00	100.00
Heritage Assets	-	-	-	-	-	-	128 080	-	128 080	0.00	0.00
Non-current Investments	-	-	-	-	-	-	266	-	266	0.00	0.00
Long-term Receivables	6 166 000	-	6 166 000	-	-	6 166 000	0	-	(6 166 000)	0.00	0.00
<b>Total Assets</b>	169 991 000	711 000	170 702 000	-	-	170 702 000	177 217 465	-	6 515 465	103.82	104.25
<b>Current Liabilities</b>											
Consumer Deposits	-	-	-	-	-	-	-	-	-	0.00	0.00
Provisions	-	-	-	-	-	-	207 681	-	207 681	0.00	0.00
Payables from Exchange Transactions	1 310 000	-	1 310 000	-	-	1 310 000	5 580 793	-	4 270 793	426.01	426.01
Payables from Non-exchange Transactions	-	-	-	-	-	-	2 407 665	-	2 407 665	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	17 364 240	-	17 364 240	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	296 176	-	296 176	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	20 770	-	20 770	0.00	0.00
<b>Non-Current Liabilities</b>											
Long-term Liabilities	-	20 803	20 803	-	-	20 803	0	-	(20 803)	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	-	-	8 058 821	-	8 058 821	0.00	0.00
Non-current Provisions	10 207 000	(159 000)	10 048 000	-	-	10 048 000	2 510 362	-	(7 537 638)	24.98	24.59
<b>Total Liabilities</b>	11 517 000	(138 197)	11 378 803	-	-	11 378 803	36 446 507	-	25 067 704	320.30	316.46
<b>Total Assets and Liabilities</b>	<b>158 474 000</b>	<b>849 197</b>	<b>159 323 197</b>	<b>-</b>	<b>-</b>	<b>159 323 197</b>	<b>140 770 957</b>	<b>-</b>	<b>(18 552 240)</b>	<b>88.36</b>	<b>88.83</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	158 474 000	849 197	159 323 197	-	-	159 323 197	140 770 957	-	(18 552 240)	88.36	88.83
<b>Total Net Assets</b>	<b>158 474 000</b>	<b>849 197</b>	<b>159 323 197</b>	<b>-</b>	<b>-</b>	<b>159 323 197</b>	<b>140 770 957</b>	<b>-</b>	<b>(18 552 240)</b>	<b>88.36</b>	<b>88.83</b>

**Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

- Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.
- Inventories:
  - Inventories were not over budgeted for - immaterial amount.
- Receivables from Exchange Transactions:
  - It was over budgeted for Receivables from Exchange Transactions.
- Receivables from Non-exchange Transactions:
  - It was under budgeted for Receivables from Exchange Transactions.
- VAT Receivable:
  - Claim for Input VAT not yet paid by SARS.
- Current Portion of Long-term Receivables:
  - It was not budgeted for Current Portion of Long-term Receivables.
- Property, Plant and Equipment:
  - It was not budgeted for Land donated to the municipality, as well as the effect of the change in GRAP 100.
- Intangible Assets:
  - It was over budgeted for Intangible Assets.
- Heritage Assets:
  - NT Budget Template not aligned to GRAP - included in budget for Property, Plant & Equipment.
- Non-current Investments:
  - It was not budgeted for Non-current Investments - immaterial amount.
- Long-term Receivables:
  - It was not budgeted for the write-off Long-term Receivables.
- Provisions:
  - It was not budgeted for Provisions.
- Payables from Exchange Transactions:
  - It was under-budgeted for Payables from Exchange Transactions.
- Payables from Non-exchange Transactions:
  - NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.
- Unspent Conditional Grants and Receipts:
  - It was not budgeted for Unspent Grants at year-end.
- Operating Lease Liabilities:
  - NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.
- Current Portion of Long-term Liabilities:
  - It was not budgeted for Current Portion of Long-term Liabilities.
- Long-term Liabilities:
  - It was not budgeted for Current Portion of Long-term Liabilities.
- Retirement Benefit Liabilities:
  - Included in budget for Non-current Provisions.
- Non-current Provisions:
  - Includes budget for Retirement Benefit Liabilities
- Accumulated Surplus / (Deficit):
  - It was over budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	8 200 000	-	8 200 000	1 000 000	-	9 200 000	9 437 738	-	237 738	102.58	115.09
Property Rates - Penalties imposed and collection charges	400 000	-	400 000	80 000	-	480 000	824 167	-	344 167	171.70	206.04
Fines	252 500	-	252 500	(200 000)	-	52 500	138 000	-	85 500	262.86	54.65
Licences and Permits	336 000	-	336 000	100	-	336 100	377 056	-	40 956	112.19	112.22
Income for Agency Services	408 500	-	408 500	80 000	-	488 500	515 261	-	26 761	105.48	126.13
Government Grants and Subsidies Received	54 860 000	-	54 860 000	17 176 999	-	72 036 999	43 816 812	-	(28 220 187)	60.83	79.87
<b>Revenue from Exchange Transactions</b>											
Service Charges	488 820	-	488 820	(70 000)	-	418 820	405 186	-	(13 634)	96.74	82.89
Rental of Facilities and Equipment	1 089 768	-	1 089 768	5 289 235	-	6 379 003	5 176 990	-	(1 202 013)	81.16	475.05
Interest Earned - External Investments	1 700 000	-	1 700 000	150 000	-	1 850 000	2 120 545	-	270 545	114.62	124.74
Interest Earned - Outstanding Debtors	70 180	-	70 180	56 000	-	126 180	132 978	-	6 798	105.39	189.48
Other Income	345 490	-	345 490	37 100	-	382 590	437 105	-	54 515	114.25	126.52
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	68 151 258	-	68 151 258	23 599 434	-	91 750 692	63 381 838	-	(28 368 855)	69.08	93.00
<b>Expenditure</b>											
Employee Related Costs	26 938 298	-	26 938 298	-	(91 257)	26 847 041	24 411 536	-	(2 435 504)	90.93	90.62
Remuneration of Councillors	3 908 226	-	3 908 226	-	35 263	3 943 489	3 750 576	-	(192 913)	95.11	95.97
Collection Costs	50 000	-	50 000	-	(10 000)	40 000	19 078	-	(20 922)	47.69	38.16
Depreciation and Amortisation	5 583 778	-	5 583 778	-	48 500	5 632 278	6 353 939	721 661	721 661	112.81	113.79
Impairment Losses	-	-	-	-	550 000	550 000	1 266 130	716 130	716 130	230.21	0.00
Repairs and Maintenance	3 524 070	-	3 524 070	-	(385 618)	3 138 452	2 583 435	-	(555 018)	82.32	73.31
Finance Costs	1 300	-	1 300	-	191 000	192 300	677 692	485 392	485 392	352.41	52 130.13
Contracted Services	3 256 740	-	3 256 740	-	4 219 687	7 476 427	5 916 939	-	(1 559 488)	79.14	181.68
Grants and Subsidies Paid	725 000	-	725 000	-	1 365 062	2 090 062	1 987 752	-	(102 311)	95.10	274.17
General Expenses	13 587 283	-	13 587 283	-	5 158 457	18 745 740	14 818 648	-	(3 927 092)	79.05	109.06
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	365 000	365 000	363 247	-	(1 753)	99.52	0.00
<b>Total Expenditure</b>	57 574 695	-	57 574 695	-	11 446 094	69 020 789	62 148 972	1 923 183	(6 871 817)	90.04	107.94
<b>Surplus/(Deficit)</b>	10 576 563	-	10 576 563	23 599 434	(11 446 094)	22 729 903	1 232 866	(1 923 183)	(21 497 037)	5.42	11.66
Transfers Recognised - Capital	-	-	-	-	-	-	21 778 411	21 778 411	21 778 411	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	10 576 563	-	10 576 563	23 599 434	(11 446 094)	22 729 903	23 011 276	19 855 228	281 373	101.24	217.57

<b>Financial Performance: Explanation of Variances between Approved Budget and Actual</b>	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:	
Property Rates - Penalties imposed and collection charges:	
Penalties and Collection Charges imposed exceeded budgetary expectations.	
Fines:	
Fines issued and paid exceeded budgetary expectations, and the stipulations of IGRAP1 was not considered during the budgeting process.	
Licences and Permits:	
It was under budgeted for Licences and Permits.	
Government Grants and Subsidies Received:	
Capital Transfers below are included in the budget for Government Grants and Subsidies Received.	
Rental of Facilities and Equipment:	
It was over budgeted for rental received for the Plantation.	
Interest Earned - External Investments:	
It was not budgeted for Unspent Grants at year-end.	
Other Income:	
It was under budgeted for Other Income.	
Collection Costs:	
It was under budgeted for Collection Costs.	
Depreciation and Amortisation:	
It was under budgeted for Depreciation and Amortisation.	
Impairment Losses:	
It was not budgeted for Impairment Losses on Debtors.	
Repairs and Maintenance:	
It was over budgeted for Repairs and Maintenance.	
Finance Costs:	
It was under budgeted for interest on Finance Leases.	
Contracted Services:	
It was overbudgeted for expenditure incurred for the Plantation.	
General Expenses :	
NT Budget Template not aligned to GRAP - General Expenses include other streams of expenditure.	
Transfers Recognised - Capital:	
Capital Transfers are included in the budget for Government Grants and Subsidies Received above.	

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	48 000	25 000	73 000	-	-	73 000	45 488	-	(27 512)	62.31	94.77
Budget and Treasury Office	-	20 000	20 000	-	-	20 000	138 363	118 363	118 363	691.81	0.00
Corporate Services	101 000	(21 000)	80 000	-	-	80 000	46 446	-	(33 554)	58.06	45.99
Community and Social Services	1 869 000	(1 474 000)	395 000	-	-	395 000	10 919 685	10 524 685	10 524 685	2 764.48	584.25
Sport and Recreation	409 500	1 977 500	2 387 000	-	(119 350)	2 267 650	-	-	(2 267 650)	0.00	0.00
Public Safety	138 000	9 358 000	9 496 000	-	-	9 496 000	-	-	(9 496 000)	0.00	0.00
Planning and Development	58 000	15 000	73 000	-	-	73 000	1 341 845	1 268 845	1 268 845	1 838.14	2 313.53
Roads and Transport	15 173 000	5 533 000	20 706 000	-	(1 035 300)	19 670 700	12 052 693	-	(7 618 007)	61.27	79.44
Waste Management	1 519 500	(108 500)	1 411 000	-	(70 550)	1 340 450	-	-	(1 340 450)	0.00	0.00
<b>Total Capital Expenditure</b>	<b>19 316 000</b>	<b>15 325 000</b>	<b>34 641 000</b>	<b>-</b>	<b>(1 225 200)</b>	<b>33 415 800</b>	<b>24 544 519</b>	<b>11 911 892</b>	<b>(8 871 281)</b>	<b>73.45</b>	<b>127.07</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Immaterial amount.											
Budget and Treasury Office: {Give short explanation of the main reason(s) for deviation here}											
Corporate Services: Immaterial amount.											
Community and Social Services: Repairs and Maintenance projects budgeted for under capital.											
Sport and Recreation: MIG Projects budgeted for, were not completed and are carried over to 2013/14.											
Public Safety: Richmond Drivers' Testing Centre budgeted for, was not completed and is carried over to 2013/14.											
Planning and Development: Enhancing of Entrance Points to Richmond town budgeted for, was not undertaken.											
Roads and Transport: MIG Projects budgeted for, were not completed and are carried over to 2013/14.											
Waste Management: {Give short explanation of the main reason(s) for deviation here}											

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	9 273 000	5 291 000	14 564 000	-	-	14 564 000	7 785 836	-	(6 778 164)	53.46	83.96
Grants	54 860 000	14 063 000	68 923 000	-	-	68 923 000	62 777 047	-	(6 145 953)	91.08	114.43
Service Charges	-	-	-	-	-	-	394 977	394 977	394 977	0.00	0.00
Interest Received	1 700 000	58 000	1 758 000	-	-	1 758 000	2 120 545	362 545	362 545	120.62	124.74
Other Receipts	-	-	-	-	-	-	5 114 136	5 114 136	5 114 136	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(24 256 269)	-	(24 256 269)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(3 750 576)	-	(3 750 576)	0.00	0.00
Interest Paid	76 000	4 000	80 000	-	-	80 000	(677 692)	-	(757 692)	0.00	0.00
Suppliers Paid	(51 479 000)	25 428 000	(26 051 000)	-	-	(26 051 000)	(8 756 486)	17 294 514	17 294 514	0.00	0.00
Other Payments	-	-	-	-	-	-	(15 804 696)	-	(15 804 696)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(19 315 000)	(8 710 000)	(28 025 000)	-	-	(28 025 000)	(24 097 821)	3 927 179	3 927 179	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(2 200)	-	(2 200)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	(363 247)	-	(363 247)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	1 926 031	1 926 031	1 926 031	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	(150 364)	-	(150 364)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(4 885 000)</b>	<b>36 134 000</b>	<b>31 249 000</b>	<b>-</b>	<b>-</b>	<b>31 249 000</b>	<b>2 259 221</b>	<b>29 019 383</b>	<b>(28 989 779)</b>	<b>7.23</b>	<b>0.00</b>

<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:	
Property Rates	{Give short explanation of the main reason(s) for deviation here}
Service Charges	Budget not aligned to GRAP - included in budget for Property Rates.
Interest Received	It was under-budgeted for Interest Received.
Other Receipts	Budget not aligned to GRAP - included in budget for Property Rates.
Employee Related Costs	Budget not aligned to GRAP - included in budget for Suppliers Paid.
Remuneration of Councillors	Budget not aligned to GRAP - included in budget for Suppliers Paid.
Interest Paid	Immaterial amount.
Suppliers Paid	Budget not aligned to GRAP -other streams of expenditure included in budget for Suppliers Paid.
Other Payments	Budget not aligned to GRAP - included in budget for Suppliers Paid.
Purchase of Property, Plant and Equipment:	It was over-budgeted for Purchase of Property, Plant and Equipment.
Purchase of Intangible Assets:	{Give short explanation of the main reason(s) for deviation here}
Proceeds on Disposal of Property, Plant and Equipment:	It was not budgeted for Proceeds on Disposal of Property, Plant and Equipment.
Decrease / (Increase) in Long-term Receivables:	{Give short explanation of the main reason(s) for deviation here}
Loans repaid:	It was not budgeted for Loans Repaid.
Cash and Cash Equivalents at End of the Year:	It was under-budgeted for Cash and Cash Equivalents.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2014/15		2013/14
	R		R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>27 166 157</b>		<b>23 011 276</b>
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	(215 863)		(1 237 738)
Property Rates - Penalties imposed and collection charges	(487 247)		(424 167)
Fines	(115 800)		114 500
Licences and Permits	54 897		(41 056)
Revenue for Agency Services	(6 232)		(106 761)
Government Grants and Subsidies Received	3 531 807		(10 735 223)
<b>Revenue from Exchange Transactions</b>			
Service Charges	(25 934)		83 634
Rental of Facilities and Equipment	(817 780)		(4 087 222)
Interest Earned - External Investments	131 644		(420 545)
Interest Earned - Outstanding Debtors	24 080		(62 798)
Other Revenue	63 893		(91 615)
Gains on Disposal of Property, Plant and Equipment	-		-
<b>Expenditure</b>			
Employee Related Costs	(1 639 801)		(2 526 762)
Remuneration of Councillors	(200 778)		(157 650)
Collection Costs	(35 343)		(30 922)
Depreciation and Amortisation	401 191		770 161
Impairment Losses	965 604		1 266 130
Repairs and Maintenance	(466 123)		(940 635)
Finance Costs	(440 008)		676 392
Contracted Services	(799 935)		2 660 199
Grants and Subsidies Paid	(5 505)		1 262 752
General Expenses	(2 479 002)		1 231 365
Loss on Disposal of Property, Plant and Equipment	106 967		363 247
<b>Net surplus/deficit per approved budget</b>	<b>24 710 891</b>		<b>10 576 563</b>

# RICHMOND LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

#### 1.1 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

#### 1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.2.1 **Revenue Recognition**

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 **Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

## **RICHMOND LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **1.2.3 Impairment of Financial Assets**

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 4, 5 and 14 to the Annual Financial Statements.

#### **1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property**

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### **1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories**

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 9, 10, 11 and 12 to the Annual Financial Statements, if applicable.

#### **1.2.6 Defined Benefit Plan Liabilities**

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

#### **1.2.7 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1.2.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### 1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

# **RICHMOND LOCAL MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **2. NET ASSETS**

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

#### **2.1 Accumulated Surplus**

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

##### **2.1.1 Housing Development Fund (HDF):**

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is cash-backed. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### **3. PROPERTY, PLANT AND EQUIPMENT**

#### **3.1 Initial Recognition**

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

#### 3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

#### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Other</b>	
	Improvements	10 - 30		Bins and Containers	5 - 15
	<b>Infrastructure</b>			Computer Equipment	5 - 10
	Electricity	5 - 30		Emergency Equipment	5 - 10
	Roads and Paving	10 - 80		Furniture and Fittings	5 - 15
	Sanitation	7 - 55		Motor Vehicles	7 - 15
	Water	50		Office Equipment	5 - 15
	<b>Community</b>			Plant and Equipment	5 - 15
	Community Facilities	15 - 30		Specialist Vehicles	10 - 20
	Recreational Facilities	15 - 30		Other Assets	25 - 30

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

#### 3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

# **RICHMOND LOCAL MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **3.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

### **3.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

### **3.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

### **3.8 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

## **4. INTANGIBLE ASSETS**

### **4.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### **4.2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

#### **4.3 Derecognition**

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 5. INVESTMENT PROPERTY

##### 5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

##### 5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

##### 5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

# **RICHMOND LOCAL MUNICIPALITY**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **6. HERITAGE ASSETS**

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

#### **6.1 Initial Recognition**

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

#### **6.2 Subsequent Measurement**

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

#### **6.3 Derecognition**

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

#### **6.4 Transitional Provisions**

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

# RICHMOND LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

#### 7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### 7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

## 8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

### Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

# RICHMOND LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

### 8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

#### 8.3 Initial and Subsequent Measurement

##### 8.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

##### 8.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

#### 8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

## **RICHMOND LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **8.4.1 Financial Assets at Amortised Cost**

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

#### **8.4.2 Financial Assets at Cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### **8.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### **8.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

# RICHMOND LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 9. INVENTORIES

#### 9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

#### 9.2 Subsequent Measurement

##### 9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

##### 9.2.2 Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 10. NON-CURRENT ASSETS HELD-FOR-SALE

The standard on GRAP 100, "*Non-current Assets Held-for-Sale*", has been amended with effect as of the current year. The amendments led to the following changes in the presentation, classification and measurement of Non-current Assets Held-for-Sale:

- (a) Changes to the way in which Non-current Assets Held-for-Sale are measured, applied prospectively at the beginning of the period in which these amendments are adopted; and
- (b) Changes to the way in which Non-current Assets Held-for-Sale are classified and presented in the Statement of Financial Position and accompanying Notes, applied retrospectively by adjusting information for the earliest period presented.

This implies that assets classified as held-for-sale would be reclassified to its original designation (e.g. Property, Plant and Equipment) from the first period presented. The assets will be measured based on its original classification.

As per the transitional provision of this standard, management has assessed the residual values, useful lives, depreciation methods, and any indicators of impairment of the reclassified assets at the beginning of the 2014/15 period and not for prior periods. The reclassification was affected in the comparative figures as required by the transitional arrangements.

# RICHMOND LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 11. REVENUE RECOGNITION

#### 11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

#### 11.2 Revenue from Exchange Transactions

##### 11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

##### 11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

##### 11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

##### 11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

##### 11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

## **RICHMOND LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **11.2.6 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **11.3 Revenue from Non-exchange Transactions**

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### **11.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### **11.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

##### **11.3.3 Public Contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

## **RICHMOND LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **11.3.4 Government Grants and Receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

#### **11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **12. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### **12.1 Provision for Environmental Rehabilitation**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 13. EMPLOYEE BENEFIT LIABILITIES

##### 13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

##### 13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

###### 13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

###### 13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

###### Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

###### Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

## 14. LEASES

### 14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

### 14.2 The Municipality as Lessee

#### 14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

#### 14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

### 15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

All borrowing costs are treated as an expense in the period in which they are incurred.

## **RICHMOND LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **16. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

#### **17. VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

#### **18. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **19. IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **20. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## RICHMOND LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**Changes in Accounting Estimates** are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

#### 22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

#### 24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

## **RICHMOND LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

#### **25. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### **26. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

#### **27. COMPARATIVE INFORMATION**

##### ***27.1 Current Year Comparatives***

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### ***27.2 Prior Year Comparatives***

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

##### ***27.3 Budget Information***

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2014 to 30 June 2015.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**1. GENERAL INFORMATION**

Richmond Local Municipality (the municipality) is a local government institution in Richmond, Kwa-Zulu Natal Province, and is one of six local municipalities under the jurisdiction of the uMgungundlovu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores	85 863	166 619
<b>Total Inventories</b>	<b>85 863</b>	<b>166 619</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R518 131 (2014: R323 004).

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. NON-CURRENT ASSETS HELD-FOR-SALE**

GRAP 100 (revised, and effective 1 April 2014) became effective during the current year and accordingly the balances previously reported under this heading have been reversed to its original classification. Refer to Note 44.1 on "Change in Accounting Policy" for details of the reclassification.

**4. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Service Debtors:	315 712	194 480	121 232
Refuse	315 712	194 480	121 232
Other Receivables	415 512	242 223	173 289
<b>Total Receivables from Exchange Transactions</b>	<b>731 224</b>	<b>436 702</b>	<b>294 522</b>
<b>As at 30 June 2014</b>			
Service Debtors:	257 653	119 660	137 993
Refuse	257 653	119 660	137 993
Other Receivables	1 189 366	155 588	1 033 778
<b>Total Receivables from Exchange Transactions</b>	<b>1 447 019</b>	<b>275 248</b>	<b>1 171 771</b>

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality receives applications that it processes. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the municipality is owed R1 736 237 (30 June 2014: R1 302 989) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**4.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2015**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Refuse:</b>					
Gross Balances	13 061	20 610	16 264	265 777	315 712
Less: Provision for Impairment	-	-	-	194 480	194 480
<b>Net Balances</b>	<b>13 061</b>	<b>20 610</b>	<b>16 264</b>	<b>71 298</b>	<b>121 232</b>
<b>Other Receivables:</b>					
Gross Balances	3 179	28 816	16 269	367 248	415 512
Less: Provision for Impairment	-	-	-	242 223	242 223
<b>Net Balances</b>	<b>3 179</b>	<b>28 816</b>	<b>16 269</b>	<b>125 026</b>	<b>173 289</b>

As at 30 June Receivables of R278 283 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	49 427	32 533	633 026	714 985
Less: Provision for Impairment	-	-	436 702	436 702
<b>Net Balances</b>	<b>49 427</b>	<b>32 533</b>	<b>196 324</b>	<b>278 283</b>

**As at 30 June 2014**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Refuse:</b>					
Gross Balances	29 499	22 935	28 544	176 676	257 653
Less: Provision for Impairment	-	-	-	119 660	119 660
<b>Net Balances</b>	<b>29 499</b>	<b>22 935</b>	<b>28 544</b>	<b>57 016</b>	<b>137 993</b>
<b>Other Receivables:</b>					
Gross Balances	45 065	51 104	40 658	1 052 539	1 189 366
Less: Provision for Impairment	-	-	-	155 588	155 588
<b>Net Balances</b>	<b>45 065</b>	<b>51 104</b>	<b>40 658</b>	<b>896 951</b>	<b>1 033 778</b>

As at 30 June Receivables of R1 097 207 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	74 038	69 202	1 229 215	1 372 456
Less: Provision for Impairment	-	-	275 248	275 248
<b>Net Balances</b>	<b>74 038</b>	<b>69 202</b>	<b>953 967</b>	<b>1 097 207</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

**4.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2015</b>				
<u>Current:</u>				
0 - 30 days	20 775	(23 387)	16 709	2 142
<u>Past Due:</u>				
31 - 60 Days	23 818	6 045	16 771	2 793
61 - 90 Days	18 877	5 115	5 834	2 707
+ 90 Days	360 084	98 330	88 983	85 629
Sub-total	423 554	86 104	128 297	93 269
Less: Provision for Impairment	287 322	75 721	-	73 659
<b>Total Trade Receivables by Customer Classification</b>	<b>136 232</b>	<b>10 382</b>	<b>128 297</b>	<b>19 611</b>

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2014</b>				
<u>Current:</u>				
0 - 30 days	24 301	33 416	13 779	3 068
<u>Past Due:</u>				
31 - 60 Days	17 780	44 367	4 971	6 920
61 - 90 Days	17 780	44 367	4 971	2 084
+ 90 Days	248 184	850 208	54 655	76 168
Sub-total	308 046	972 358	78 377	88 239
Less: Provision for Impairment	192 562	31 920	-	50 766
<b>Total Trade Receivables by Customer Classification</b>	<b>115 484</b>	<b>940 438</b>	<b>78 377</b>	<b>37 473</b>

**2015**  
**R**                      **2014**  
**R**

**4.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	275 248	212 597
Impairment Losses recognised	161 454	62 651
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>436 702</b>	<b>275 248</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>4.4 Ageing of impaired Receivables from Exchange Transactions</b>		
<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	436 702	275 248
<b>Total</b>	<b>436 702</b>	<b>275 248</b>

**4.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	8 654 458	6 087 169	2 567 289
Payments made in Advance	2 858	-	2 858
Accruals	98 104	-	98 104
Sundry Deposits	22 984	-	22 984
Sundry Debtors	2 293 521	142 068	2 151 453
Suspense Accounts	248 055	-	248 055
<b>Total Receivables from Non-exchange Transactions</b>	<b>11 319 981</b>	<b>6 229 237</b>	<b>5 090 744</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2014</b>			
Assessment Rates Debtors	6 709 687	4 362 270	2 347 417
Payments made in Advance	2 598	-	2 598
Accruals	85 696	-	85 696
Sundry Deposits	9 300	-	9 300
Sundry Debtors	1 788 542	361 699	1 426 843
Suspense Accounts	6 305	-	6 305
<b>Total Receivables from Non-exchange Transactions</b>	<b>8 602 128</b>	<b>4 723 969</b>	<b>3 878 159</b>

The prior year amount for *Receivables from Non-exchange Transactions* has been adjusted. Refer to Note 45.4 on "Correction of Error" for details of the restatement.

**Sundry Deposits** are in respect of cash deposits made to Caltex for the supply of fuel and uMgungundlovu District Municipality for the supply of water.

**Sundry Debtors** are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**5.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2015**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	(224 096)	347 546	210 451	8 320 557	8 654 458
Less: Provision for Impairment	-	-	-	6 087 169	6 087 169
<b>Net Balances</b>	<b>(224 096)</b>	<b>347 546</b>	<b>210 451</b>	<b>2 233 388</b>	<b>2 567 289</b>
<b>Payments made in Advance:</b>					
Gross Balances	2 858	-	-	-	2 858
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>2 858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 858</b>
<b>Accruals:</b>					
Gross Balances	98 104	-	-	-	98 104
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>98 104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98 104</b>
<b>Sundry Deposits:</b>					
Gross Balances	22 984	-	-	-	22 984
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>22 984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 984</b>
<b>Sundry Debtors:</b>					
Gross Balances	2 293 521	-	-	-	2 293 521
Less: Provision for Impairment	142 068	-	-	-	142 068
<b>Net Balances</b>	<b>2 151 453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 151 453</b>
<b>Suspense Accounts:</b>					
Gross Balances	248 055	-	-	-	248 055
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>248 055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248 055</b>

As at 30 June Receivables of R2 791 385 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	347 546	210 451	8 320 557	8 878 554
Less: Provision for Impairment	-	-	6 087 169	6 087 169
<b>Net Balances</b>	<b>347 546</b>	<b>210 451</b>	<b>2 233 388</b>	<b>2 791 385</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**As at 30 June 2014**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	(196 085)	252 287	206 066	6 447 418	6 709 687
Less: Provision for Impairment	-	-	-	4 362 270	4 362 270
<b>Net Balances</b>	<b>(196 085)</b>	<b>252 287</b>	<b>206 066</b>	<b>2 085 148</b>	<b>2 347 417</b>

**Payments made in Advance:**

Gross Balances	2 598	-	-	-	2 598
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>2 598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 598</b>

**Accruals:**

Gross Balances	85 696	-	-	-	85 696
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>85 696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85 696</b>

**Sundry Deposits:**

Gross Balances	9 300	-	-	-	9 300
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>9 300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 300</b>

**Sundry Debtors:**

Gross Balances	1 788 542	-	-	-	1 788 542
Less: Provision for Impairment	361 699	-	-	-	361 699
<b>Net Balances</b>	<b>1 426 843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 426 843</b>

**Suspense Accounts:**

Gross Balances	6 305	-	-	-	6 305
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>6 305</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 305</b>

As at 30 June Receivables of R2 543 502 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	252 287	206 066	6 447 418	6 905 772
Less: Provision for Impairment	-	-	4 362 270	4 362 270
<b>Net Balances</b>	<b>252 287</b>	<b>206 066</b>	<b>2 085 148</b>	<b>2 543 502</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

**5.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2015</b>				
<u>Current:</u>				
0 - 30 days	(47 808)	(45 849)	(0)	(130 440)
<u>Past Due:</u>				
31 - 60 Days	155 125	96 666	425	95 330
61 - 90 Days	81 605	56 517	425	71 903
+ 90 Days	2 780 916	1 228 815	1 607 090	2 703 736
Sub-total	2 969 839	1 336 149	1 607 941	2 740 530
Less: Provision for Impairment	2 621 788	1 116 615	-	2 348 767
<b>Total Rates Debtors by Customer Classification</b>	<b>348 050</b>	<b>219 535</b>	<b>1 607 941</b>	<b>391 763</b>

**2015**  
**R**                      **2014**  
**R**

**5.3 Reconciliation of Provision for Impairment**

Balance at beginning of year	4 723 969	4 292 401
Impairment Losses recognised	1 622 840	1 119 479
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(117 572)	(687 910)
<b>Balance at end of year</b>	<b>6 229 237</b>	<b>4 723 969</b>

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>6. VAT RECEIVABLE</b>		
Vat Receivable	<u><b>949 460</b></u>	<u><b>685 773</b></u>

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**7. CASH AND CASH EQUIVALENTS**

Current Investments	45 796 534	43 819 210
Bank Accounts	1 263 438	1 851 718
Cash and Cash Equivalents	3 200	3 200
<b>Total Bank, Cash and Cash Equivalents</b>	<u><b>47 063 172</b></u>	<u><b>45 674 128</b></u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**7.1 Current Investment Deposits**

Call Deposits	45 796 534	43 808 490
Notice Deposits	(0)	10 720
<b>Total Current Investment Deposits</b>	<u><b>45 796 534</b></u>	<u><b>43 819 210</b></u>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 4,30 % to 6,34 % (2014: 4,30% to 5,22%) per annum.

Deposits attributable to Unspent Conditional Grants	7 416 519	17 364 240
Deposits attributable to Creditors	8 144 122	5 580 793
Deposits attributable to Current Provisions	272 416	207 681
Deposits attributable to Rehabilitation of Landfill Site	2 224 176	2 510 362
Deposits attributable to Long-service Awards	1 380 363	1 246 768
Deposits attributable to Retirement Benefits	7 713 311	6 812 053
Deposits attributable to Provision for Impairment	6 665 940	4 999 217
Deposits available for Operations	11 979 687	5 098 095
<b>Total Deposits attributable to Commitments of the Municipality</b>	<u><b>45 796 534</b></u>	<u><b>43 819 210</b></u>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>7.2 Bank Accounts</b>		
Cash in Bank	1 263 438	1 851 718
<b>Total Bank Accounts</b>	<b>1 263 438</b>	<b>1 851 718</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*First National Bank - Richmond Branch, Richmond - Account Number 535 6532 2104:*

Cash book balance at beginning of year	1 851 718	835 704
Cash book balance at end of year	1 263 438	1 851 718
Bank statement balance at beginning of year	1 851 718	835 704
Bank statement balance at end of year	1 263 438	1 851 718

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**7.3 Cash and Cash Equivalents**

Cash Floats and Advances	3 200	3 200
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>3 200</b>	<b>3 200</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**8. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Umgungundlovu District Municipality	-	9 768
<b>Total Current Portion of Long-term Receivables</b>	<b>-</b>	<b>9 768</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**9 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2015**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Leased Infra- structure	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2014</b>	<b>12 514 969</b>	<b>9 197 633</b>	<b>62 338 785</b>	<b>28 450 623</b>	<b>8 868 506</b>	<b>6 014</b>	<b>121 376 530</b>
Cost	12 514 969	11 885 075	78 078 038	31 184 165	15 836 282	363 953	149 862 481
- Completed Assets	12 514 969	11 885 075	60 999 421	21 102 904	15 836 282	363 953	122 702 604
- Under Construction	-	-	17 078 617	10 081 261	-	-	27 159 878
Correction of error (Note 45)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(757 222)	(73 406)	(57 216)	-	(1 067 133)
Accumulated Depreciation:	-	(2 508 153)	(14 982 031)	(2 660 136)	(6 910 560)	(357 939)	(27 418 818)
- Cost	-	(2 508 153)	(14 982 031)	(2 660 136)	(6 910 560)	(357 939)	(27 418 818)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	67 000	-	-	2 040 050	242 307	2 349 357
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	16 424 752	8 184 509	-	-	24 609 260
- Cost	-	-	16 424 752	8 184 509	-	-	24 609 260
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(585 438)	(4 373 887)	(1 136 637)	(1 423 313)	(59 086)	(7 578 361)
- Based on Cost	-	(585 438)	(4 373 887)	(1 136 637)	(1 423 313)	(59 086)	(7 578 361)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	(39 767)	-	(39 767)
- Cost	-	-	-	-	(139 585)	(61 636)	(201 221)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	240	-	240
- Accumulated Depreciation	-	-	-	-	99 578	61 636	161 213
- Based on Cost	-	-	-	-	99 578	61 636	161 213
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	(54 567)	(24 069)	(2 674)	-	(81 310)
Capital under Construction - Completed	-	-	(5 537 148)	(3 617 676)	-	-	(9 154 824)
Other Movements	-	-	5 537 148	3 310 365	307 311	-	9 154 824
- Cost	-	-	5 537 148	3 310 365	307 311	-	9 154 824
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2015</b>	<b>12 514 969</b>	<b>8 679 194</b>	<b>74 335 082</b>	<b>35 167 115</b>	<b>9 750 113</b>	<b>189 235</b>	<b>140 635 708</b>
Cost	12 514 969	11 952 075	94 502 789	39 061 363	18 044 057	544 624	176 619 877
- Completed Assets	12 514 969	11 952 075	66 536 569	24 413 269	18 044 057	544 624	134 005 563
- Under Construction	-	-	27 966 220	14 648 094	-	-	42 614 314
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(811 789)	(97 475)	(59 649)	-	(1 148 203)
Accumulated Depreciation:	-	(3 093 591)	(19 355 918)	(3 796 773)	(8 234 296)	(355 389)	(34 835 966)
- Cost	-	(3 093 591)	(19 355 918)	(3 796 773)	(8 234 296)	(355 389)	(34 835 966)
- Revaluation	-	-	-	-	-	-	-

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2014

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2013</b>	<b>9 109 969</b>	<b>9 780 041</b>	<b>53 975 046</b>	<b>22 502 014</b>	<b>8 225 394</b>	<b>119 180</b>	<b>103 711 644</b>
Cost	9 109 969	11 867 372	66 125 565	24 364 499	13 933 303	363 953	125 764 660
- Completed Assets	9 109 969	11 867 372	48 580 647	20 961 331	13 933 303	363 953	104 816 574
- Under Construction	-	-	17 544 918	3 403 169	-	-	20 948 086
Correction of error (Note 45)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(161 224)	(721 834)	(57 055)	(43 020)	-	(983 133)
Accumulated Depreciation:	-	(1 926 107)	(11 428 685)	(1 805 431)	(5 664 888)	(244 773)	(21 069 884)
- Cost	-	(1 926 107)	(11 428 685)	(1 805 431)	(5 664 888)	(244 773)	(21 069 884)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	3 405 000	-	5 530	-	1 899 487	-	5 310 017
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	11 946 943	6 840 861	-	-	18 787 803
- Cost	-	-	11 946 943	6 840 861	-	-	18 787 803
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(582 046)	(3 553 346)	(854 705)	(1 245 672)	(113 166)	(6 348 934)
- Based on Cost	-	(582 046)	(3 553 346)	(854 705)	(1 245 672)	(113 166)	(6 348 934)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	(18 066)	(35 388)	(16 352)	(14 196)	-	(84 000)
Capital under Construction - Completed	-	-	(12 413 244)	(162 768)	-	-	(12 576 012)
Other Movements	-	17 703	12 413 244	141 573	3 492	-	12 576 012
- Cost	-	17 703	12 413 244	141 573	3 492	-	12 576 012
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2014</b>	<b>12 514 969</b>	<b>9 197 633</b>	<b>62 338 785</b>	<b>28 450 623</b>	<b>8 868 506</b>	<b>6 014</b>	<b>121 376 530</b>
Cost	12 514 969	11 885 075	78 078 038	31 184 165	15 836 282	363 953	149 862 481
- Completed Assets	12 514 969	11 885 075	60 999 421	21 102 904	15 836 282	363 953	122 702 604
- Under Construction	-	-	17 078 617	10 081 261	-	-	27 159 878
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(179 289)	(757 222)	(73 406)	(57 216)	-	(1 067 133)
Accumulated Depreciation:	-	(2 508 153)	(14 982 031)	(2 660 136)	(6 910 560)	(357 939)	(27 418 818)
- Cost	-	(2 508 153)	(14 982 031)	(2 660 136)	(6 910 560)	(357 939)	(27 418 818)
- Revaluation	-	-	-	-	-	-	-

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

The prior year amount for *Plant and Equipment* has been adjusted. Refer to Note 44.1 on "*Change in Accounting Policy*" and Note 45.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 20.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>9 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>9.2 Assets pledged as security</b>		
The municipality's obligations under Finance Leases (see Note 20) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
<b>9.3 Impairment of Property, Plant and Equipment</b>		
Impairment Losses on Property, Plant and Equipment to the amount of R81 310 (2014: R84 000) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 37.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Buildings	-	18 066
Infrastructure: Roads	54 567	35 388
Community Assets: Sports Facilities	-	16 352
Community Assets: Other Facilities	24 069	-
Other Assets: Computer Equipment	261	166
Other Assets: Emergency Equipment	222	87
Other Assets: Furniture and Fittings	569	4 021
Other Assets: Office Equipment	2	2 380
Other Assets: Plant and Equipment	1 619	7 542
<b>Total Impairment of Property, Plant and Equipment</b>	<b>81 310</b>	<b>84 000</b>
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The assets have only been partially impaired as they are still in use.		
<b>9.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
There was no change (2013/14: R0) in the estimated useful life of various assets of the municipality for the financial year.		
<b>9.5 Land and Buildings carried at Fair Value</b>		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>10 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>7 748</b>	<b>11 518</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>11 518</b>	<b>11 518</b>
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(78 164)	(78 164)
Acquisitions:	-	-
Purchased	-	-
Work-in-Progress	-	-
Amortisation:	(3 770)	(3 770)
Purchased	(3 770)	(3 770)
<b>Carrying values at 30 June 2015</b>	<b>7 748</b>	<b>7 748</b>
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(81 934)	(81 934)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2013</b>	<b>14 323</b>	<b>14 323</b>
Cost	87 482	87 482
Work-in-Progress	-	-
Accumulated Amortisation	(73 159)	(73 159)
Acquisitions:	2 200	2 200
Purchased	2 200	2 200
Work-in-Progress	-	-
Amortisation:	(5 005)	(5 005)
Purchased	(5 005)	(5 005)
<b>Carrying values at 30 June 2014</b>	<b>11 518</b>	<b>11 518</b>
Cost	89 682	89 682
Work-in-Progress	-	-
Accumulated Amortisation	(78 164)	(78 164)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 36).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**10.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**10.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**10.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**11 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation

**4 114 852**

**4 114 852**

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 July**

**4 114 852**

**4 114 852**

Cost

4 114 852

4 114 852

Accumulated Depreciation

-

-

Acquisitions during the Year

-

-

Depreciation during the Year

-

-

**Carrying values at 30 June**

**4 114 852**

**4 114 852**

Cost

4 114 852

4 114 852

Accumulated Depreciation

-

-

**Estimated Fair Value of Investment Property at 30 June**

**7 280 000**

**7 280 000**

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

1 262 656

1 150 631

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**11.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**11.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**12 HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses	<b>60 880</b>	<b>128 080</b>
--	---------------	----------------

The movement in Heritage Assets is reconciled as follows:

	<b>Cultural Buildings</b>	<b>Municipal Jewellery</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>57 880</b>	<b>70 200</b>	<b>128 080</b>
Cost	57 880	70 200	128 080
Accumulated Impairment	-	-	-
Acquisitions	-	-	-
Impairment Losses Recognised	-	-	-
Disposals:	-	(67 200)	(67 200)
At Cost	-	(67 200)	(67 200)
At Accumulated Impairment	-	-	-
<b>Carrying values at 30 June 2015</b>	<b>57 880</b>	<b>3 000</b>	<b>60 880</b>
Cost	57 880	3 000	60 880
Accumulated Impairment Losses	-	-	-
	<b>Cultural Buildings</b>	<b>Municipal Jewellery</b>	<b>Total</b>
<b>Carrying values at 01 July 2013</b>	<b>57 880</b>	<b>70 200</b>	<b>128 080</b>
Cost	57 880	70 200	128 080
Accumulated Impairment	-	-	-
Acquisitions	-	-	-
Impairment Losses Recognised	-	-	-
Disposals:	-	-	-
At Cost	-	-	-
At Accumulated Impairment	-	-	-
<b>Carrying values at 30 June 2014</b>	<b>57 880</b>	<b>70 200</b>	<b>128 080</b>
Cost	57 880	70 200	128 080
Accumulated Impairment Losses	-	-	-

The municipality has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality has completed a process of identifying and valuing all Heritage Assets in terms of GRAP 103.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**12.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**12.2 Heritage Assets measured after recognition using the Revaluation Model**

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>13 NON-CURRENT INVESTMENTS</b>		
<b>Unlisted</b>		
Unlisted Shares	266	266
	<b>266</b>	<b>266</b>
<b>Total Investments</b>		
All Investments	266	266
Less: Short-term Portion transferred to Current Investments	-	-
<b>Total Non-current Investments</b>	<b>266</b>	<b>266</b>
<b>Council's valuation of Unlisted Investments</b>		
Unlisted Shares	266	266
	<b>266</b>	<b>266</b>

Unlisted Investments comprise the following:

- (i) Unlisted Shares are investments in shares of NCT Forestry Co-operative Limited with no specific maturity dates or interest rates.

**14 LONG-TERM RECEIVABLES**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
uMgungundlovu District Municipality	0	-	0
	<b>0</b>	<b>0</b>	<b>0</b>
Less: Current Portion transferred to Current Receivables:-			-
uMgungundlovu District Municipality			-
<b>Total Long-term Receivables</b>			<b>0</b>

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2014</b>			
uMgungundlovu District Municipality	9 768	-	9 768
	<b>9 768</b>	<b>-</b>	<b>9 768</b>
Less: Current Portion transferred to Current Receivables:-			9 768
uMgungundlovu District Municipality			9 768
<b>Total Long-term Receivables</b>			<b>0</b>

**UMGUNGUNDLOVU DISTRICT MUNICIPALITY**

The Sanitation and Water Services were taken over by the District Municipality. The Municipality entered into a loan agreement with DBSA for the aummentation of these schemes. The loan was not taken over by the District Municipality, but the instalments are refunded to the Municipality by the District Municipality.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>14.1 Ageing of Long-term Receivables</b>		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	0	9 768
<b>Total</b>	<b>0</b>	<b>9 768</b>

As at 30 June Long-term Receivables of R0 (2014: R9 768) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	0	9 768
<b>Total</b>	<b>0</b>	<b>9 768</b>

**14.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	-	1 916 263
Impairment Losses recognised	-	-
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(1 916 263)
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

**15 PROVISIONS**

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	115 260	135 456
Current Portion of Long-term Service Liability (See Note 21)	157 156	72 225
Current Portion of Non-Current Provisions (See Note 22):	-	-
Rehabilitation of Land-fill Sites	-	-
<b>Total Provisions</b>	<b>272 416</b>	<b>207 681</b>

The movement in provisions are reconciled as follows:

**Current Portion of Non-Current Provisions:**

	Long-term Service R	Post-retirement R
<b>30 June 2015</b>		
Balance at beginning of year	72 225	135 456
Transfer from non-current	157 156	115 260
Expenditure incurred	(72 225)	(135 456)
<b>Balance at end of year</b>	<b>157 156</b>	<b>115 260</b>
	Long-term Service R	Post-retirement R
<b>30 June 2014</b>		
Balance at beginning of year	66 112	160 434
Transfer from non-current	72 225	135 456
Expenditure incurred	(66 112)	(160 434)
<b>Balance at end of year</b>	<b>72 225</b>	<b>135 456</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>16 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	841 700	119 352
Retentions	2 043 029	2 334 831
Other Creditors	5 259 393	3 126 610
<b>Total Payables</b>	<b>8 144 122</b>	<b>5 580 793</b>

The prior year amount for *Payables from Exchange Transactions* has been adjusted. Refer to Note 45.4 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 (2014: 30) days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments received in Advance	238 333	436 741
Staff Leave Accrued	2 318 222	1 947 021
Sundry Deposits	23 858	18 431
Suspense Accounts	100 920	5 473
<b>Total Payables</b>	<b>2 681 333</b>	<b>2 407 665</b>

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>18.1 Conditional Grants from Government</b>	<b>7 416 519</b>	<b>17 364 240</b>
National Government Grants	4 583 887	7 368 755
Provincial Government Grants	2 832 631	9 995 486
<b>Total Conditional Grants and Receipts</b>	<b>7 416 519</b>	<b>17 364 240</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>19 OPERATING LEASE LIABILITIES</b>		
Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:		
Balance at beginning of year	296 176	259 475
Operating Lease expenses recorded	44 259	44 259
Operating Lease payments effected	(8 315)	(7 559)
<b>Total Operating Lease Liabilities</b>	<b>332 120</b>	<b>296 176</b>

**19.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 40 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**19.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Land:</b>	1 386 790	1 431 049
Up to 1 year	44 259	44 259
2 to 5 years	177 037	177 037
More than 5 years	1 165 494	1 209 753
<b>Total Operating Lease Arrangements</b>	<b>1 386 790</b>	<b>1 431 049</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	8 315	7 559
<b>Total Operating Lease Expenses</b>	<b>8 315</b>	<b>7 559</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Land

The following restrictions have been imposed on the municipality in terms of the lease agreements on

- (i) The land shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the land.
- (iii) The land shall be returned in good order and condition to the lessor upon termination of the agreement.

**20 LONG-TERM LIABILITIES**

Annuity Loans	0	9 768
Finance Lease Liabilities	201 741	11 001
<b>Sub-total</b>	<b>201 741</b>	<b>20 770</b>
Less: Current Portion transferred to Current Liabilities:-	94 976	20 770
Annuity Loans	-	9 768
Finance Lease Liabilities	94 976	11 001
<b>Total Long-term Liabilities (Neither past due, nor impaired)</b>	<b>106 765</b>	<b>0</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**                      **2014**  
**R**                              **R**

**20.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from none (2014: 0 to 1) years and at interest rates varying from 8,00% to 10,00% (2014: 8,00% to 10,00%) per annum. The Annuity Loans are not secured.

Finance Lease Liabilities relates to Office Equipment with lease terms of 28 months (2014: 2 months). The effective interest rate on Finance Leases is 42,48% (2014: 9,00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**20.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2014: 1 year). The effective interest rate on Finance Leases is 42,48% (2014: 9,00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	<b>Minimum Lease Payments</b>		<b>Present Value of Minimum Lease Payments</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases:</b>				
Within one year	134 362	17 970	134 362	17 970
In the second to fifth years, inclusive	179 150	-	179 150	-
Over five years	-	-	-	-
	<u>313 512</u>	<u>17 970</u>	<u>313 512</u>	<u>17 970</u>
Less: Future Finance Obligations	111 772	6 968	111 772	6 968
<b>Present Value of Minimum Lease Obligations</b>	<u><b>201 741</b></u>	<u><b>11 001</b></u>	<u><b>201 741</b></u>	<u><b>11 001</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			94 976	11 001
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<u><u>106 765</u></u>	<u><u>-</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

(i) Ericson Switchboard and Photocopiers	R 313 512	R 17 970
- Instalments are payable quarterly in advance		
- Average period outstanding	28 months	2 months
- Average effective interest rate	42.48%	9.00%
- Average quarterly instalment	R 1 866.15	R 5 210.34

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>21 EMPLOYEE BENEFIT LIABILITIES</b>		
Post-retirement Health Care Benefits Liability	7 713 311	6 812 053
Long Service Awards Liability	1 380 363	1 246 768
<b>Total Employee Benefit Liabilities</b>	<b>9 093 674</b>	<b>8 058 821</b>

**21.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	6 812 053	6 812 132
Contributions to Provision	1 016 518	135 377
Balance at end of Year	7 828 571	6 947 509
Transfer to Current Provisions	(115 260)	(135 456)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>7 713 311</b>	<b>6 812 053</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	55	50
In-service Non-members (Employees)	71	73
Continuation Members (Retirees, widowers and orphans)	5	6
<b>Total Members</b>	<b>131</b>	<b>129</b>

The liability in respect of past service has been estimated as follows:

In-service Members	3 409 577	2 620 250
In-service Non-members	2 226 873	1 950 933
Continuation Members	2 192 121	2 376 326
<b>Total Liability</b>	<b>7 828 571</b>	<b>6 947 509</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2015 is estimated to be R677 383, whereas the cost for the ensuing year is estimated to be R675 096 (30 June 2014: R665 689 and R677 383 respectively).

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	9.10%	9.33%
Health Care Cost Inflation Rate	8.18%	8.44%
Net Effective Discount Rate	0.85%	0.82%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	6 947 509	6 972 566
Current service costs	677 383	665 689
Interest cost	644 529	499 696
Benefits paid	(135 456)	(160 434)
Actuarial losses / (gains)	(305 394)	(1 030 008)

<b>Total Recognised Benefit Liability</b>	<b>7 828 571</b>	<b>6 947 509</b>
---	------------------	------------------

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	7 828 571	6 947 509
-----------------------------------	-----------	-----------

Unfunded Accrued Liability	7 828 571	6 947 509
----------------------------	-----------	-----------

<b>Total Benefit Liability</b>	<b>7 828 571</b>	<b>6 947 509</b>
--------------------------------	------------------	------------------

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	677 383	665 689
Interest cost	644 529	499 696
Actuarial losses / (gains)	(305 394)	(1 030 008)

<b>Total Post-retirement Benefit included in Employee Related Costs (Note 33)</b>	<b>1 016 518</b>	<b>135 377</b>
---	------------------	----------------

**The history of experienced adjustments is as follows:**

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>
Present Value of Defined Benefit Obligation	7 828 571	6 947 509	6 972 566	5 297 351	4 438 290
<b>Deficit</b>	<b>7 828 571</b>	<b>6 947 509</b>	<b>6 972 566</b>	<b>5 297 351</b>	<b>4 438 290</b>
Experienced adjustments on Plan Liabilities	(278 086)	(454 357)	(912 495)	-	-

**2015**  
**R**

**2014**  
**R**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	350 142	336 761
Effect on the defined benefit obligation	1 792 744	1 665 012

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(261 979)	(237 303)
Effect on the defined benefit obligation	(1 373 572)	(1 260 511)

The municipality expects to make a contribution of R1 321 912 (2014: R1 165 385) to the Defined Benefit Plans during the next financial year.

Refer to Note 54, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>
<b>21.2 Long Service Awards Liability</b>		
Balance at beginning of year	1 246 768	1 072 557
Contributions to provision	290 751	246 436
Balance at end of Year	<u>1 537 519</u>	<u>1 318 993</u>
Transfer to Current Provisions	(157 156)	(72 225)
<b>Total Long Service Awards Liability</b>	<u><b>1 380 363</b></u>	<u><b>1 246 768</b></u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 126 (2014: 123) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R187 084, whereas the cost for the ensuing year is estimated to be R218 467 (30 June 2014: R171 289 and R187 084 respectively).

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.24%	8.42%
Cost Inflation Rate	7.23%	7.38%
Net Effective Discount Rate	0.94%	0.97%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	1 318 993	1 138 669
Current service costs	187 084	171 289
Interest cost	108 085	80 157
Benefits paid	(72 225)	(66 112)
Actuarial losses / (gains)	(4 418)	(5 010)
<b>Total Recognised Benefit Liability</b>	<u><b>1 537 519</b></u>	<u><b>1 318 993</b></u>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	1 537 519	1 318 993
Unfunded Accrued Liability	<u>1 537 519</u>	<u>1 318 993</u>
<b>Total Benefit Liability</b>	<u><b>1 537 519</b></u>	<u><b>1 318 993</b></u>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	187 084	171 289
Interest cost	108 085	80 157
Actuarial losses / (gains)	(4 418)	(5 010)
Adjustment for Short-term Portion from Previous Year	-	-
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 33)</b>	<u><b>290 751</b></u>	<u><b>246 436</b></u>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R	2013 R	2012 R	2011 R
<b>The history of experienced adjustments is as follows:</b>					
	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	1 537 519	1 318 993	1 138 669	772 361	653 361
<b>Deficit</b>	<b>1 537 519</b>	<b>1 318 993</b>	<b>1 138 669</b>	<b>772 361</b>	<b>653 361</b>

Experienced adjustments on Plan Liabilities	(10 228)	126 369	(49 158)	-	-
---	----------	---------	----------	---	---

	2015 R	2014 R
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	34 180	32 445
Effect on the defined benefit obligation	148 882	131 371
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(29 639)	(27 695)
Effect on the defined benefit obligation	(130 677)	(115 043)

The municipality expects to make a contribution of R295 169 (2014: R295 169) to the defined benefit plans during the next financial year.

## 22 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	2 224 176	2 510 362
<b>Total Non-current Provisions</b>	<b>2 224 176</b>	<b>2 510 362</b>
<b>The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:</b>		
Balance at beginning of year	2 510 362	1 903 801
Contributions to provision	(286 186)	606 561
	2 224 176	2 510 362
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b>2 224 176</b>	<b>2 510 362</b>

### 22.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R2 669 488 (2014: R3 300 840) to restore the sites at the end of its useful life, estimated to be in 2018. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>23 ACCUMULATED SURPLUS</b>		
<b>The Accumulated Surplus consists of the following Internal Funds and Reserves:</b>		
Housing Development Fund	260 048	247 326
Accumulated Surplus / (Deficit) due to the results of Operations	167 677 066	140 523 631
<b>Total Accumulated Surplus</b>	<b>167 937 114</b>	<b>140 770 957</b>

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 45.1 "Correction of Error" for details of the restatements.

- Restatement of Property Rates income - Notes 45.2 and 45.4
- Restatement of Employee Related Cost expenditure - Notes 45.3 and 45.4
- Restatement of Finance Cost expenditure - Notes 45.3 and 45.4
- Restatement of General Expenses expenditure - Notes 45.3 and 45.4

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the **Housing Development Fund**. The fund is cash-backed.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**24 PROPERTY RATES**

	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>July 2015 R000's</b>	<b>July 2014 R000's</b>		
Agricultural	1 095 675	1 095 835	1 834 644	1 750 418
Commercial	140 101	135 455	1 750 031	1 591 597
Residential	356 465	353 583	1 833 422	1 857 721
Sectional Title	5 732	5 732	59 214	31 499
State	317 932	317 932	3 943 888	3 249 275
Other	199 262	199 262	746 665	957 228
<b>Total Property Rates</b>	<b>2 115 167</b>	<b>2 107 799</b>	<b>10 167 863</b>	<b>9 437 738</b>

**24.1 Calculation of Cash Flow:**

Property Rates Income	10 167 863	9 437 738
Opening Balance of Debtors: Assessment Rates	6 709 687	5 058 011
Closing Balance of Debtors: Assessment Rates	(8 654 458)	(6 709 687)
Amounts written-off as uncollectable	(13 587)	(226)
<b>Total Receipts for Property Rates</b>	<b>8 209 505</b>	<b>7 785 836</b>

The prior year amount for *Property Rates* has been adjusted. Refer to Note 45.2 on "Correction of Error" for details of the restatement.

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2012.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,0065897 c/R (2013/14: 0,0062759 c/R)

Business Properties: 0,0133038 c/R (2013/14: 0,0125508 c/R)

Agricultural Properties: 0,0016932 c/R (2013/14: 0,0015974 c/R)

The first R15 000 (2013/14: R15 000) of the valuation of all properties are exempted from the calculation of rates. Furthermore, a rebate of R35 000 (2013/14: R35 000) is allowed on developed property.

Rebates and exemptions are granted to pensioners, non-profitable organisations, sporting bodies, religious bodies, etc in terms of the municipality's Rates Policy.

Rates are levied monthly on property owners and are payable at the end of each month. Property owners can request that the full amount for the year be raised in August in which case the amount has to be paid by 28 February. Interest is levied at a rate determined by council on outstanding rates amounts.

**25 FINES**

Traffic Fines	166 250	136 125
Other Fines	2 300	1 875
<b>Total Fines</b>	<b>168 550</b>	<b>138 000</b>

**26 LICENCES AND PERMITS**

Business Licences	18 167	1 553
Learners Licenses	287 680	368 670
Other Licenses	19 757	6 833
<b>Total Licences and Permits</b>	<b>325 603</b>	<b>377 056</b>

**27 INCOME FROM AGENCY SERVICES**

Commission	24 024	13 908
Motor Licences	512 507	492 334
Other Agency Income	21 700	9 020
<b>Total Income from Agency Services</b>	<b>558 232</b>	<b>515 261</b>

**28 GOVERNMENT GRANTS AND SUBSIDIES**

National Equitable Share	38 690 000	31 684 042
Other Subsidies	5 001 850	7 424 845
<b>Operational Grants</b>	<b>43 691 850</b>	<b>39 108 887</b>

**Conditional Grants**

National: FMG	1 996 790	1 453 210
National: MIG	20 139 135	16 264 181
National: MSIG	934 000	890 000
National: Department Arts and Culture	111 088	57 419
National: Department Human Settlement	348 445	1 360 550
National: Department Minerals and Energy	-	160 969
Provincial: DPLG&H	7 563 307	6 300 007
Provincial: Sport and Development	150 000	-

<b>Total Government Grants and Subsidies</b>	<b>74 934 616</b>	<b>65 595 223</b>
--	-------------------	-------------------

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>28.1 Calculation of Cash Flow:</b>		
Government Grants and Subsidies Income	74 934 616	65 595 223
Opening Balance of Unspent Government Grants	(17 364 240)	(20 182 416)
Closing Balance of Unspent Government Grants	7 416 519	17 364 240
<b>Total Receipts for Government Grants and Subsidies</b>	<b>64 986 894</b>	<b>62 777 047</b>

The prior year amount for *Government Grants and Subsidies* has been adjusted. Refer to Note 45.2 on "Correction of Error" for details of the restatement.

**Operational Grants:**

<b>28.2 National: Equitable Share</b>	<b>38 690 000</b>	<b>31 684 042</b>
---------------------------------------	-------------------	-------------------

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R68,73 (2014: R63,43), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month. No funds have been withheld.

**Conditional Grants:**

**28.3 National: FMG Grant**

Balance unspent at beginning of year	196 790	0
Current year receipts	1 800 000	1 650 000
Conditions met - transferred to Revenue: Operating Expenses	(1 975 790)	(1 453 210)
Conditions met - transferred to Revenue: Capital Expenses	(21 000)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<b>0</b>	<b>196 790</b>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**28.4 National: MIG Funds**

Balance unspent at beginning of year	5 325 776	7 356 999
Current year receipts	17 493 000	16 645 000
Conditions met - transferred to Revenue: Operating Expenses	(574 728)	(725 545)
Conditions met - transferred to Revenue: Capital Expenses	(19 564 407)	(15 538 636)
Other Adjustments/Refunds	-	(2 412 042)
Conditions still to be met - transferred to Liabilities (see Note 18)	<b>2 679 641</b>	<b>5 325 776</b>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R2 412 042 in respect of unspent money from 2011/12 has been withheld.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>28.5 National: MSIG Funds</b>		
Balance unspent at beginning of year	-	(0)
Current year receipts	934 000	890 000
Conditions met - transferred to Revenue: Operating Expenses	(798 511)	(890 000)
Conditions met - transferred to Revenue: Capital Expenses	(135 489)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>(0)</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**28.6 National: Department Arts and Culture**

Balance unspent at beginning of year	152 581	90 000
Current year receipts	126 000	120 000
Conditions met - transferred to Revenue: Operating Expenses	(111 088)	(57 419)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>167 493</u>	<u>152 581</u>

This grant was allocated to provide access to modern day technology and information resources; and relevant collections of library materials which meet the needs of the communities. No funds have been withheld.

**28.7 National: Department Human Settlement**

Balance unspent at beginning of year	1 693 607	1 656 882
Current year receipts	348 445	1 360 540
Interest allocated	43 146	36 734
Conditions met - transferred to Revenue: Operating Expenses	(348 445)	(1 360 550)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>1 736 753</u>	<u>1 693 607</u>

This grant was allocated for the funding of various housing projects to assist the indigent communities. No funds have been withheld.

**28.8 National: Department Minerals and Energy**

Balance unspent at beginning of year	-	4 086 650
Current year receipts	-	-
Interest allocated	-	74 319
Conditions met - transferred to Revenue: Operating Expenses	-	(160 969)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	(4 000 000)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

Expenses were incurred for the electricification of households in the community. An amount of R4 000 000 in respect of unspent money from 2011/12 has been withheld.

**28.9 Provincial: Department Cooperative Government and Trading Affairs (COGTA)**

Balance unspent at beginning of year	9 995 486	6 991 885
Current year receipts	-	9 000 000
Interest allocated	250 452	303 608
Conditions met - transferred to Revenue: Operating Expenses	-	(60 233)
Conditions met - transferred to Revenue: Capital Expenses	(7 563 307)	(6 239 775)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>2 682 631</u>	<u>9 995 486</u>

This grant was allocated for the funding of various projects e.g. Retail Market Facility, CBD Stormwater and Street Rehabilitation, Traffic Lights and Drivers' Testing Centre. No funds have been withheld.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>28.10 Provincial: Department Sport and Development</b>		
Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Conditions met - transferred to Revenue: Operating Expenses	(115 658)	-
Conditions met - transferred to Revenue: Capital Expenses	(34 342)	-
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>150 000</u>	<u>-</u>

This grant was received for the maintenance of sport fields within the jurisdiction area of the municipality.  
No funds have been withheld.

**28.11 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2015), government grant funding is expected to increase over the forthcoming three financial years.

**29 SERVICE CHARGES**

Refuse Removal	425 934	405 186
<b>Total Service Charges</b>	<u>425 934</u>	<u>405 186</u>

**29.1 Calculation of Cash Flow:**

Service Charges Income	425 934	405 186
Opening Balance of Debtors: Service Charges	1 447 019	1 436 811
Closing Balance of Debtors: Service Charges	(731 224)	(1 447 019)
<b>Total Receipts for Service Charges</b>	<u>1 141 729</u>	<u>394 977</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**30 RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Amenities	6 000	6 000
Rental Revenue from Buildings	542 047	559 515
Rental Revenue from Halls	80 093	48 453
Rental Revenue from Land	4 913 790	4 536 391
Rental Revenue from Other Facilities	41 120	26 632
<b>Total Rental of Facilities and Equipment</b>	<u>5 583 050</u>	<u>5 176 990</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>31 INTEREST EARNED</b>		
<b>Property Rates:</b>		
Interest / Penalties Raised	1 037 247	824 167
	<b>1 037 247</b>	<b>824 167</b>
<b>External Investments:</b>		
Bank Account	117 554	73 665
Investments	2 746 382	2 046 880
Other Deposits	4 419	-
	<b>2 868 356</b>	<b>2 120 545</b>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	103 920	132 978
	<b>103 920</b>	<b>132 978</b>
<b>Total Interest Earned</b>	<b>4 009 522</b>	<b>3 077 689</b>
<b>31.1 Calculation of Cash Flow:</b>		
External Interest Income	2 868 356	2 120 545
<b>Total Receipts for Interest Received</b>	<b>2 868 356</b>	<b>2 120 545</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	2 863 936	2 120 545
Held-to-Maturity Investments	4 419	-
Loans and Receivables	1 141 166	957 144
	<b>4 009 522</b>	<b>3 077 689</b>
<b>32 OTHER REVENUE</b>		
Building Plan Fees	34 058	22 593
Cemetery Fees	60 100	77 893
Insurance Claims	248 055	10 268
Plot Clearing Charges	-	7 232
Pound Fees	5 528	12 350
Prints	14 474	9 601
Refuse Dump Fees	26 491	32 094
Reimbursement of Expenditure	74 803	74 183
SETA Refunds	55 337	66 858
Tender Documents	43 202	90 364
Town Planning Fees	28 484	1 254
Sundry Income	32 334	32 414
<b>Total Other Revenue</b>	<b>622 867</b>	<b>437 105</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
<b>32.1 Calculation of Cash Flow:</b>			
Income from Other Revenue	Note 32	622 867	437 105
Income from Interest on Outstanding Debtors	Note 31	103 920	132 978
Income from Interest and Penalties on Property Rates	Note 31	1 037 247	824 167
Income from Rental of Facilities and Equipment	Note 30	5 583 050	5 176 990
Income from Agency Services	Note 27	558 232	515 261
Income from Licences and Permits	Note 26	325 603	377 056
Income from Fines	Note 25	168 550	138 000
Opening Balance of Non-current Assets Held-for-Sale	Note 3	0	582 153
Closing Balance of Non-current Assets Held-for-Sale	Note 3	(0)	(0)
Opening Balance of Debtors: Non-exchange Transactions	Note 5	8 602 128	6 412 479
Opening Balance of Debtors: Assessment Rates	Note 5	(6 709 687)	(5 058 011)
Closing Balance of Debtors: Non-exchange Transactions	Note 5	(11 319 981)	(8 602 128)
Closing Balance of Debtors: Assessment Rates	Note 5	8 654 458	6 709 687
Amounts written-off as uncollectable	Note 5	(103 985)	(687 684)
Opening Balance of VAT Receivable	Note 6	685 773	745 287
Closing Balance of VAT Receivable	Note 6	(949 460)	(685 773)
Opening Balance of Current Portion of Long-term Receivables	Note 8	9 768	22 600
Closing Balance of Current Portion of Long-term Receivables	Note 8	-	(9 768)
Amounts written-off as uncollectable	Note 14	-	(1 916 263)
<b>Total Receipts for Other Revenue</b>		<b>7 268 482</b>	<b>5 114 136</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 31, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**33 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	21 201 458	19 343 468
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 695 106	3 513 104
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 136 714	915 018
Housing Benefits and Allowances	39 552	36 007
Overtime Payments	60 057	222 126
Defined Benefit Plan Expense:	1 307 269	381 813
Current Service Cost	1 307 269	381 813
<b>Total Employee Related Costs</b>	<b>27 440 156</b>	<b>24 411 536</b>

**33.1 Calculation of Cash Flow:**

Employee Related Costs Expenditure	27 440 156	24 411 536
Opening Balance of Employee Benefit Liabilities	8 058 821	7 884 689
Closing Balance of Employee Benefit Liabilities	(9 093 674)	(8 058 821)
Opening Balance of Provision for Long-term Service	72 225	66 112
Closing Balance of Provision for Long-term Service	(157 156)	(72 225)
Opening Balance of Post-retirement Benefits	135 456	160 434
Closing Balance of Post-retirement Benefits	(115 260)	(135 456)
<b>Total Payments for Employee Related Costs</b>	<b>26 340 568</b>	<b>24 256 269</b>

The prior year amount for *Employee Related Costs* has been adjusted. Refer to Note 45.3 on "Correction of Error" for details of the restatement.

No advances were made to employees.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>Remuneration of Section 57 Employees:</b>		
<b><i>Remuneration of the Municipal Manager</i></b>		
Annual Remuneration	603 981	493 792
Car and Other Allowances	417 030	405 597
Company Contributions to UIF, Medical and Pension Funds	32 646	31 428
<b>Total</b>	<b>1 053 657</b>	<b>930 816</b>
<b><i>Remuneration of the Chief Financial Officer</i></b>		
Annual Remuneration	133 170	461 813
Car and Other Allowances	22 001	289 702
Company Contributions to UIF, Medical and Pension Funds	3 663	45 736
<b>Total</b>	<b>158 834</b>	<b>797 250</b>
The post was vacant as from 01 August 2014 until 30 June 2015. An Acting Allowance was paid for the period, ending 31 January 2015.		
<b><i>Remuneration of the Strategic Manager: Community Services</i></b>		
Annual Remuneration	216 383	213 997
Car and Other Allowances	564 796	450 327
Company Contributions to UIF, Medical and Pension Funds	94 332	91 624
<b>Total</b>	<b>875 510</b>	<b>755 948</b>
<b><i>Remuneration of the Strategic Manager: Corporate Services</i></b>		
Annual Remuneration	277 223	208 260
Car and Other Allowances	523 241	476 727
Company Contributions to UIF, Medical and Pension Funds	77 445	70 960
<b>Total</b>	<b>877 910</b>	<b>755 948</b>
<b><i>Remuneration of the Strategic Manager: Technical Services</i></b>		
Annual Remuneration	536 882	83 417
Car and Other Allowances	336 761	44 607
Company Contributions to UIF, Medical and Pension Funds	1 866	310
<b>Total</b>	<b>875 510</b>	<b>128 333</b>
The post was vacant as from 01 August 2012 until 30 April 2014. An Acting Allowance was paid for the period ending April 2013. The new manager was appointed with effect of 2 May 2014.		
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:		
<b>Staff Leave Benefits:-</b>		
Municipal Manager	110 819	89 358
Chief Financial Officer	-	63 780
Strategic Manager: Community Services	157 154	138 600
Strategic Manager: Corporate Services	157 154	126 280
Strategic Manager: Technical Services	19 644	12 320
<b>Total</b>	<b>444 771</b>	<b>430 338</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>34 REMUNERATION OF COUNCILLORS</b>		
Mayor	718 495	618 934
Deputy Mayor	316 138	256 622
Speaker	184 414	283 332
Executive Committee Members	296 379	265 623
Councillors	2 166 277	1 983 514
Other Allowances (Cellular Phones, Housing, Transport, etc)	331 580	342 552
<b>Total Councillors' Remuneration</b>	<b>4 013 283</b>	<b>3 750 576</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. The Councillors occupying the positions of Mayor, Deputy Mayor and Speaker are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard and a full-time driver. The Deputy Mayor, Speaker and Executive Committee Member have one full-time bodyguard/driver.

**35 COLLECTION COSTS**

Legal Costs	4 657	19 078
<b>Total Collection Costs</b>	<b>4 657</b>	<b>19 078</b>

**36 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	7 578 361	6 348 934
Amortisation: Intangible Assets	3 770	5 005
<b>Total Depreciation and Amortisation</b>	<b>7 582 132</b>	<b>6 353 939</b>

*Depreciation and Amortisation* have been restated to correctly disclose the expense for Depreciation, Retentions previously calculated incorrectly. Refer to Note 45.3 on "Correction of Error" for details of the restatement.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>37 IMPAIRMENT LOSSES</b>		
<b>37.1 Impairment Losses on Fixed Assets</b>		
<b>Impairment Losses Recognised:</b>	81 310	84 000
Property, Plant and Equipment	81 310	84 000
Intangible Assets	-	-
<b>Impairment Losses Reversed:</b>	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	<b>81 310</b>	<b>84 000</b>
<b>37.2 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses Recognised:</b>	1 784 294	1 182 130
Receivables from Exchange Transactions	161 454	62 651
Receivables from Non-exchange Transactions	1 622 840	1 119 479
<b>Impairment Losses Reversed:</b>	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	<b>1 784 294</b>	<b>1 182 130</b>
<b>Total Impairment Losses</b>	<b>1 865 604</b>	<b>1 266 130</b>
<b>38 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	142 346	297 193
Infrastructure - Road Transport	1 836 069	1 656 980
Infrastructure - Other	-	4 400
Community Assets	3 750	-
Other Assets	536 032	593 416
Specialised Vehicles	27 051	31 446
<b>Total Repairs and Maintenance</b>	<b>2 545 247</b>	<b>2 583 435</b>
<b>39 FINANCE COSTS</b>		
Creditors Overdue	-	64 230
Landfill Provision	(241 746)	606 561
Loans and Payables at amortised cost	49 968	6 901
<b>Total Interest Paid on External Borrowings</b>	<b>(191 778)</b>	<b>677 692</b>
<b>39.1 Calculation of Cash Flow:</b>		
Finance Cost Expenditure	(191 778)	677 692
<b>Total Payments for Finance Costs</b>	<b>(191 778)</b>	<b>677 692</b>

The prior year amount for *Finance Costs* has been adjusted. Refer to Note 45.3 on "Correction of Error" for details of the restatement.

The negative amount in Finance Cost is due to the decrease experienced in the unwinding interest in the Non-current Provision of Rehabilitation of Landfill Sites. This is due to unplanned rehabilitation done during the financial year.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>40 CONTRACTED SERVICES</b>		
Internal Audit	889 162	161 280
Professional Fees	6 059	8 738
Security Services	3 669 395	3 155 374
Valuation Services	124 000	114 000
Other Contracted Services	2 894 888	2 477 547
<b>Total Contracted Services</b>	<b>7 583 504</b>	<b>5 916 939</b>

**40.1 Calculation of Cash Flow:**

Expenditure for Contracted Services	Note 40	7 583 504	5 916 939
Expenditure for Repairs and Maintenance	Note 38	2 545 247	2 583 435
Opening Balance of Payables: Exchange Transactions	Note 16	5 580 793	5 696 584
Closing Balance of Payables: Exchange Transactions	Note 16	(8 144 122)	(5 580 793)
Opening Balance of Inventories	Note 2	(166 619)	(26 299)
Closing Balance of Inventories	Note 2	85 863	166 619
<b>Total for Suppliers Paid</b>		<b>7 484 666</b>	<b>8 756 486</b>

**41 GRANTS AND SUBSIDIES PAID**

Community Projects	515 600	1 476 408
Free Basic Services	766 859	463 595
Sport Events	62 996	47 748
<b>Total Grants and Subsidies</b>	<b>1 345 454</b>	<b>1 987 752</b>

**Community Projects** are in respect of community cultural programs, low cost housing and catering & transport cost within the municipality's area of jurisdiction.

**Free Basic Services** are in respect of assistance to and providing basic service levels to indigent households.

**Sport Events** are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

**Tourism Expenses** are in respect of assistance to the local tourism organisation.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>42 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	173 016	159 067
Audit Fees	1 074 689	930 483
Bank Charges	62 847	65 151
Branding of the Municipality	115 658	-
Bursaries	70 242	69 321
Chemicals and Poison	13 373	66 193
Cleaning Material	161 942	112 976
Communication and Public Participation	-	148 756
Disaster Expenditure	43 265	18 549
Electricity	1 086 222	986 881
Entertainment	84 600	93 248
Expenditure incurred from Grants:		
- DME	2 804 533	1 667 561
- EPWP	1 255 000	1 017 000
- FMG	1 975 790	1 453 210
- Library	111 088	57 419
- MSIG	798 511	888 292
- Transport	83 596	73 957
Fuel and Oil	1 504 464	1 450 032
Hiring of Equipment	5 315	5 028
IDP Review	-	88 810
Insurance	609 025	585 334
Lease Charges	220 419	85 099
Legal Costs	227 746	189 274
Levies: SALGA	500 000	450 000
Marketing	44 337	58 637
Mayoral Special Programmes	-	8 000
Medical Examinations	775	2 091
Performance Evaluation Committee	70 219	56 820
PMU Unit Operating Expenses	570 931	720 412
Postage and Telegrams	69 184	60 385
Printing and Stationery	197 420	225 094
Seminars and Conferences	81 341	81 908
Telephone Cost	457 973	462 225
Tourism Strategy	47 070	51 607
Training Costs	162 897	71 518
Travelling and Subsistence	751 019	556 833
Uniforms and Protective Clothing	278 053	195 392
Ward Committee Management	352 500	353 439
Water	2 780	78 755
Other General Expenses	1 267 013	1 173 894
<b>Total General Expenses</b>	<b>17 334 852</b>	<b>14 818 648</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
<b>42.1 Calculation of Cash Flow:</b>			
Expenditure for General Expenses	Note 42	17 334 852	14 818 648
Expenditure for Grants and Subsidies Paid	Note 41	1 345 454	1 987 752
Expenditure for Collection Costs	Note 35	4 657	19 078
Opening Balance of Payables: Non-exchange Transactions	Note 17	2 407 665	2 030 144
Closing Balance of Payables: Non-exchange Transactions	Note 17	(2 681 333)	(2 407 665)
Opening Balance of Operating Lease Liabilities	Note 19	296 176	259 475
Opening Balance of Operating Lease Liabilities	Note 19	(332 120)	(296 176)
Opening Balance of Non-current Provisions	Note 22	2 510 362	1 903 801
Closing Balance of Non-current Provisions	Note 22	(2 224 176)	(2 510 362)
<b>Total for Other Payments</b>		<b>18 661 537</b>	<b>15 804 696</b>

The prior year amount for *General Expenses* has been adjusted. Refer to Note 45.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

**42.2 Material Losses**

	<b>123 980</b>	<b>-</b>
Fire Damages	123 980	-

**42.3 Fire Damage**

On the 17th of November 2014 a part of the municipal offices, office of the Municipal Manager and part of the Memorial Hall, was burnt down. The South African Police Services are currently conducting investigations into the matter. The Insurance Company has completed their assessment and will be effecting settlement by the end of July 2015.

No other extra-ordinary expenses were incurred.

**43 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Sale of Assets	(67 200)	(363 247)
Assets Disposed at Carrying Value	(39 767)	-
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>(106 967)</b>	<b>(363 247)</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**44 CHANGE IN ACCOUNTING POLICY**

The municipality adopted no Accounting Standards for the first time during the financial year 2014/15 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

**44.1 GRAP 100 - Discontinued Operations**

The Accounting Standard for *Non-current Assets Held-for-Sale and Discontinued Operations* has been revised in February 2013 whereby the measurement, presentation and disclosure requirements related to Non-current Assets Held-for-Sale have been withdrawn.

The comparative amounts have been restated retrospectively. The effect of the change in Accounting Policy is as follows:

**The effect of the Change in Accounting Policy is as follows:**

	<b>Property, Plant &amp; Equipment</b>	<b>Intangible Assets</b>	<b>Investment Property</b>	<b>Non-current Assets Held-for-Sale</b>
<b>Balances published as at 30 June 2013, inclusive of Corrections</b>	<b>102 748 260</b>	<b>14 323</b>	<b>4 114 852</b>	<b>1 545 536</b>
Reclassification of Non-current Assets Held-for-Sale	963 384	-	-	(963 384)
<b>Restated Balances as at 30 June 2013, inclusive of Corrections</b>	<b>103 711 644</b>	<b>14 323</b>	<b>4 114 852</b>	<b>582 153</b>
Transactions incurred for the Year 2013/14, inclusive of Corrections	17 664 886	(2 805)	-	(582 153)
<b>Restated Balances as at 30 June 2014</b>	<b>121 376 530</b>	<b>11 518</b>	<b>4 114 852</b>	<b>0</b>

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2014 and the Accumulated Surplus of prior years was not affected either.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**45 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**45.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

**The effect of the changes are as follows:**

		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2013</b>		<b>117 759 681</b>
Change in Accounting Policy:-		
Reclassify Non-current Assets Held-for-Sale - Note 44.1	(963 384)	
Reclassify Property, Plant and Equipment - Note 44.1	<u>963 384</u>	-
<b>Restated Balances as at 30 June 2013</b>		<b>117 759 681</b>
Transactions incurred for the Year 2013/14		19 506 664
Correction of Error:-		
Restate Receivables and Income for Assessment Rates - Notes 45.2 and 45.4	(49 107)	
Restate Receivables and Expenditure for Employee Costs - Notes 45.3 and 45.4	252 104	
Restate Receivables and Expenditure for General Expenses - Notes 45.3 and 45.4	175	
Restate Assets and Grants Received for Land donated - Notes 45.2 and 45.4	3 405 000	
Restate Assets, Payables and Depreciation for Retentions - Notes 45.3 and 45.4	8 377	
Restate Payables from Exchange Transactions for Interest accrued - Notes 45.3 and 45.4	(64 230)	
Restate Payables from Exchange Transactions for Expenses accrued - Notes 45.3 and 45.4	<u>(47 706)</u>	3 504 613
<b>Restated Balances as at 30 June 2014</b>		<b><u>140 770 957</u></b>

**45.2 Reclassification of Revenue**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2013/14 Revenue</b>	<b>Current Year 2013/14 Revenue</b>	<b>Restated Amount</b>
Property Rates	9 486 845	9 437 738	49 107
Property Rates - Penalties imposed and collection charges	824 167	824 167	-
Fines	138 000	138 000	-
Licences and Permits	377 056	377 056	-
Income for Agency Services	515 261	515 261	-
Government Grants and Subsidies Received	62 190 223	65 595 223	(3 405 000)
Service Charges	405 186	405 186	-
Rental of Facilities and Equipment	5 176 990	5 176 990	-
Interest Earned - External Investments	2 120 545	2 120 545	-
Interest Earned - Outstanding Debtors	132 978	132 978	-
Other Income	437 105	437 105	-
	<u><b>81 804 356</b></u>	<u><b>85 160 248</b></u>	<u><b>(3 355 893)</b></u>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Property Rates</b>	<b>Government Grants</b>
<b>Balance previously reported</b>	<b>9 486 845</b>	<b>62 190 223</b>
Adjustment for PSI 30% Rebate on Property Rates	(49 107)	
Adjustment for Land donated by Government Department		3 405 000
<b>Restated Balance now reported</b>	<b>9 437 738</b>	<b>65 595 223</b>

**Property Rates:**

The **prior year amounts** for *Property Rates* and Receivables from Non-exchange Transactions have been restated to correctly disclose the revenue for Property Rates, PSI 30% rebate previously not granted.

**Government Grants & Subsidies Received:**

The **prior year amounts** for *Government Grants & Subsidies Received* and Property, Plant and Equipment have been restated to correctly disclose the revenue for Land donated by the Department of Housing, previously not recognised.

**45.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	<b>Prior Year 2013/14 Expenditure</b>	<b>Current Year 2013/14 Expenditure</b>	<b>Restated Amount</b>
Employee Related Costs	24 663 640	24 411 536	252 104
Remuneration of Councillors	3 750 576	3 750 576	-
Collection Costs	19 078	19 078	-
Depreciation and Amortisation	6 362 316	6 353 939	8 377
Impairment Losses	1 266 130	1 266 130	-
Repairs and Maintenance	2 583 435	2 583 435	-
Finance Costs	613 462	677 692	(64 230)
Contracted Services	5 916 939	5 916 939	-
Grants and Subsidies Paid	1 987 752	1 987 752	-
General Expenses	14 771 118	14 818 648	(47 531)
Loss on Disposal of Property, Plant and Equipment	363 247	363 247	-
Surplus / (Deficit) for the Year	19 506 664	23 011 276	(3 504 612)
	<b>81 804 356</b>	<b>85 160 248</b>	<b>(3 355 893)</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Employee Costs</b>	<b>Depreciation &amp; Amortisation</b>	<b>Finance Costs</b>	<b>General Expenses</b>
<b>Balance previously reported</b>	<b>24 663 640</b>	<b>6 362 316</b>	<b>613 462</b>	<b>14 771 118</b>
Adjustment for Recovery of Allowances Paid	(252 104)			
Adjustment for Depreciation on Retentions		(8 377)		
Adjustment for Interest and Penalties on Late Payments			64 230	
Adjustment for accrual of Fuel and Oil Expenditure				47 706
Adjustment for Recovery of Prior Year Expenditure overpaid				(175)
<b>Restated Balance now reported</b>	<b>24 411 536</b>	<b>6 353 939</b>	<b>677 692</b>	<b>14 818 648</b>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**                      **2014**  
**R**                              **R**

**Employee Related Costs:**

The **prior year amounts** for *Employee Related Costs* and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for the recovery of Allowances paid to employees, previously paid in error.

**Depreciation and Amortisation:**

The **prior year amounts** for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for assets, Retentions previously calculated incorrectly.

**Finance Costs:**

The **prior year amounts** for *Finance Costs* and Payables from Exchange Transactions have been restated to correctly disclose the interest cost raised by SARS due to late payments made, only raised after the closing of the previous financial year.

**General Expenses:**

The **prior year amounts** for *General Expenses* and Payables from Exchange Transactions have been restated to correctly disclose the expenditure for Fuel & Oil, previously not identified and accrued for.

Furthermore, the **prior year amounts** for *General Expenses* and Receivables from Non-exchange Transactions have been restated to correctly disclose the amount for the recovery of Expenditure, previously over-paid to the vendor.

**45.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2013/14 Balance</b>	<b>Current Year 2013/14 Balance</b>	<b>Restated Amount</b>
<b>Current Assets</b>			
Inventories	166 619	166 619	-
Non-current Assets Held-for-Sale	963 384	0	963 384
Receivables from Exchange Transactions	1 171 771	1 171 771	-
Receivables from Non-exchange Transactions	3 674 987	3 878 159	(203 172)
VAT Receivable	685 773	685 773	-
Cash and Cash Equivalents	45 674 128	45 674 128	-
Current Portion of Long-term Receivables	9 768	9 768	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	117 444 268	121 376 530	(3 932 262)
Intangible Assets	11 518	11 518	-
Investment Property	4 114 852	4 114 852	-
Heritage Assets	128 080	128 080	-
Non-current Investments	266	266	-
Long-term Receivables	0	0	-
<b>Current Liabilities</b>			
Provisions	(207 681)	(207 681)	-
Payables from Exchange Transactions	(5 913 355)	(5 580 793)	(332 563)
Payables from Non-exchange Transactions	(2 407 665)	(2 407 665)	-
Unspent Conditional Grants and Receipts	(17 364 240)	(17 364 240)	-
Operating Lease Liabilities	(296 176)	(296 176)	-
Current Portion of Long-term Liabilities	(20 770)	(20 770)	-
<b>Non-Current Liabilities</b>			
Long-term Liabilities	(0)	(0)	-
Retirement Benefit Liabilities	(8 058 821)	(8 058 821)	-
Non-current Provisions	(2 510 362)	(2 510 362)	-
<b>Net Assets</b>			
Accumulated Surplus / (Deficit)	(137 266 345)	(140 770 957)	3 504 612
	-	-	(0)

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

Opening balances and prior year amounts of items in the **Statement of Financial Position** have been restated as indicated below:

	<b>Assets Held-for-Sale</b>	<b>Receivables: Non-exchange</b>	<b>Property, Plant &amp; Equipment</b>	<b>Payables: Exchange</b>
<b>Balances previously published per AFS as at 30 June 2013</b>	<b>1 545 536</b>	<b>2 120 078</b>	<b>102 748 260</b>	<b>(5 696 584)</b>
Change in Accounting Policy as per Note 44.1 above	(963 384)		963 384	
<b>Balances now published per AFS as at 30 June 2013</b>	<b>582 153</b>	<b>2 120 078</b>	<b>103 711 644</b>	<b>(5 696 584)</b>
Transactions incurred for the Year 2013/14	(582 153)	1 554 909	14 696 008	(216 771)
Adjustment for PSI 30% Rebate on Property Rates		(49 107)		
Adjustment for Recovery of Allowances Paid		252 104		
Adjustment for Recovery of Prior Year Expenditure overpaid		175		
Adjustment for Land donated by Government Department			3 405 000	
Adjustment for Accrual of Retentions			(444 499)	444 499
Adjustment for Depreciation on Retentions			8 377	
Adjustment for Interest and Penalties on Late Payments				(64 230)
Adjustment for accrual of Fuel and Oil Expenditure				(47 706)
<b>Balances now published per AFS as at 30 June 2014</b>	<b>-</b>	<b>3 878 159</b>	<b>121 376 530</b>	<b>(5 580 793)</b>

**Receivables from Non-exchange Transactions:**

The **prior year amounts** of *Receivables from Non-exchange Transactions* and Revenue for Property Rates have been restated to correctly disclose the amount for Receivables, PSI 30% rebate previously not granted.

Furthermore, the **prior year amounts** for *Receivables from Non-exchange Transactions* and Employee Related Costs have been restated to correctly disclose the accrual for the recovery of Allowances paid to employees, previously paid in error.

Furthermore, the **prior year amounts** for *Receivables from Non-exchange Transactions* and General Expenses have been restated to correctly disclose the accrual for the recovery of Expenditure, previously over-paid to the vendor.

**Property, Plant and Equipment:**

The **prior year amounts** for *Property, Plant & Equipment* and Government Grants & Subsidies Received have been restated to correctly disclose the assets for Land donated by the Department of Housing, previously not recognised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment*, Payables from Exchange Transactions and Depreciation & Amortisation have been restated to correctly disclose the assets for Assets, Retentions previously not recognised.

**Payables from Exchange Transactions:**

The **prior year amounts** for *Payables from Exchange Transactions* and Finance Costs have been restated to correctly disclose the accrual for interest cost raised by SARS due to late payments made, only raised after the closing of the previous financial year.

Furthermore, the **prior year amounts** for *Payables from Exchange Transactions* and General Expenses have been restated to correctly disclose the accrual for Fuel & Oil expenditure, previously not identified and accrued for.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>46 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	27 166 157	23 011 276
Adjustment for:		
Depreciation and Amortisation	7 582 132	6 353 939
Impairment Losses on Property, Plant and Equipment	81 310	84 000
Losses / (Gains) on Disposal of Property, Plant and Equipment	106 967	363 247
Contribution to Post-retirement Health Care Benefits	1 016 518	135 377
Expenditure incurred from Post-retirement Health Care Benefits	(135 456)	(160 434)
Contribution to Long Service Awards Liability	290 751	246 436
Expenditure incurred from Long Service Awards Liability	(72 225)	(66 112)
Contribution to Provisions - Non-current	(286 186)	606 561
Contribution to Impairment Provision	1 784 294	1 182 130
Bad Debts Written-off	(117 572)	(2 604 174)
<b>Operating surplus before working capital changes</b>	<b>37 416 691</b>	<b>29 152 247</b>
Decrease/(Increase) in Inventories	80 756	(140 320)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	582 153
Decrease/(Increase) in Receivables from Exchange Transactions	715 795	(10 208)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(2 717 853)	(2 189 649)
Decrease/(Increase) in VAT Receivable	(263 687)	59 515
Decrease/(Increase) in Current Portion of Long-term Receivables	9 768	12 832
Increase/(Decrease) in Payables from Exchange Transactions	2 563 329	(115 792)
Increase/(Decrease) in Payables from Non-exchange Transactions	273 668	377 521
Increase/(Decrease) in Conditional Grants and Receipts	(9 947 722)	(2 818 176)
Increase/(Decrease) in Operating Lease Liabilities	35 945	36 701
<b>Cash generated by / (utilised in) Operations</b>	<b>28 166 690</b>	<b>24 946 822</b>

**47 NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

**48 FINANCING FACILITIES**

The municipality did not have any Financing Facilities available at any time during the two financial years.

**49 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities (See Note 20)	201 741	20 770
Used to finance Property, Plant and Equipment - at cost	(201 741)	(20 770)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 7 and 13)	-	-
<b>Cash invested for Repayment of Long-term Liabilities</b>	<b>-</b>	<b>-</b>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**50.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	168 231	7 759 473
Unauthorised Expenditure current year	18 432	168 231
Approved by Council or condoned	(168 231)	(7 759 473)
To be recovered – contingent asset (see Note 57)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>18 432</u>	<u>168 231</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Roads and Transport - R18 432 (2014: R33 850)	
- Waste Management - R0 (2014: R57 149)	

**50.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	64 230	95 061
Fruitless and Wasteful Expenditure current year	176	64 686
Condoned or written off by Council	-	(95 061)
To be recovered – contingent asset (see Note 57)	-	-
Transfer to receivables for recovery (see Note 5)	(176)	(456)
Fruitless and Wasteful Expenditure awaiting condonement	<u>64 230</u>	<u>64 230</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Penalties incurred on Late Payments - R176 (2014: R456)</i>	<i>To be recovered from responsible official</i>
<i>Interest on late payment - Various Creditors - R0 (2014: R64 230)</i>	<i>None</i>

**50.3 Irregular Expenditure**

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

**51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**51.1 Contributions to organised local government - SALGA**

Opening Balance	-	-
Council Subscriptions	500 000	450 000
Amount Paid - current year	(500 000)	(450 000)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**51.2 Audit Fees**

Opening Balance	-	-
Current year Audit Fee	1 074 689	930 483
Amount Paid - current year	(1 074 689)	(930 483)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**51.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>51.4 PAYE, Skills Development Levy and UIF</b>		
Opening Balance	-	-
Current year Payroll Deductions	4 184 035	3 811 456
Amount Paid - current year	(4 184 035)	(3 811 456)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

<b>51.5 Pension and Medical Aid Deductions</b>		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 689 627	5 276 082
Amount Paid - current year	(5 689 627)	(5 276 082)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**51.6 Councillor's arrear Consumer Accounts**

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

**51.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**51.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager	Year 2014/15	Umnyayiza Game Reserves/Highover	Urgency and short notice	12 403.20
Procurement of Conference Venue for Facilities Scorecard				
Municipal Manager	Year 2014/15	Savute Trading	Urgency and short notice	42 000.00
Procurement of Refreshments for Ministerial Project				
Budget and Treasury	Year 2014/15	Durcharme Consulting	Urgency and short notice	149 936.36
Procurement of services for Compilation of Annual Financial Statements				
Budget and Treasury	Year 2014/15	Ekolaw Consulting	Urgency and short notice	26 794.00
Procurement of services for Actuarial Valuation for the Rehabilitation of Landfill Site				
Budget and Treasury	Year 2014/15	Key Truck and PMB (2 occasions)	Parts required could only be obtained from the agent	5 327.56
2 Occasions during the financial year procuring parts for Isuzu Truck				
Budget and Treasury	Year 2014/15	Komatsu	Parts required only obtainable from agent	4 089.24
Procurement of Parts for Grader				
Budget and Treasury	Year 2014/15	Protea Hotel Hilton	Urgency and short notice	19 634.40
Procurement of Accommodation for 3 Interns for MFMP Training				
Budget and Treasury	Year 2014/15	PWC (4 occasions)	Urgency and short notice; Previously compiled the registers	427 856.38
Procurement of Services to compile Movable Asset Register, Immovable Asset Register, Rental of Scanners and Asset Labels				

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

<b>Department</b>	<b>Date</b>	<b>Successful Tenderer</b>	<b>Reason</b>	<b>Amount</b>
<i>Budget and Treasury</i>	<i>Year 2014/15</i>	<i>Summat</i>	<i>Supplier of Equipment for which training was required</i>	<i>39 330.00</i>
<i>Procurement of services for Training of Interns on MFMP</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>CSX Customer Services</i>	<i>Urgency and short notice</i>	<i>2 435.04</i>
<i>Procurement of Service of 3M Machine</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Government Printing Works</i>	<i>Sole supplier of Digital Voice Processing System</i>	<i>3 599.21</i>
<i>Procurement of 8000 Face Value Documents (learners)</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Key Truck and PMB (2 occasions)</i>	<i>Service under warranty to be done by agent only</i>	<i>16 903.57</i>
<i>2 Occasions during the financial year procuring Service of NK4957 and NK6274 Trucks</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Magma Security Services</i>	<i>Urgency and short notice</i>	<i>17 106.00</i>
<i>Procurement of services for Security Guards during District Strike</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Magxamalaza</i>	<i>Required strip &amp; quote basis</i>	<i>5 850.00</i>
<i>Procurement of service to Repair Electrical Fault at Inkumane</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Molao Academy</i>	<i>Service Provider was utilised before for training</i>	<i>13 311.08</i>
<i>Procurement of service to train additional Staff for Peace Officer</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Neo</i>	<i>Urgency and short notice</i>	<i>183 231.31</i>
<i>Procurement of service to relocate Computer System</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Richmond Superspar</i>	<i>Urgency and short notice</i>	<i>3 348.00</i>
<i>Procurement of Grocery Assistance for 4 Families</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Richmond Taxi Association</i>	<i>Urgency and short notice</i>	<i>5 000.00</i>
<i>Procurement of Transportation of Youth to Sport-Against-Crime</i>				
<i>Community Services</i>	<i>Year 2014/15</i>	<i>Sparks and Ellis</i>	<i>Provider was utilised before and extra work was required</i>	<i>7 152.19</i>
<i>Procurement of Security Uniforms</i>				
<i>Corporate Services</i>	<i>Year 2014/15</i>	<i>Busgeli (Pty) Ltd</i>	<i>Urgency and short notice</i>	<i>21 250.00</i>
<i>Procurement of Catering Services for Community Launch of EPWP</i>				
<i>Corporate Services</i>	<i>Year 2014/15</i>	<i>Digital Voice Processing</i>	<i>Urgency and short notice</i>	<i>19 738.07</i>
<i>Procurement of Digital Recoder</i>				
<i>Corporate Services</i>	<i>Year 2014/15</i>	<i>Express Employment</i>	<i>Urgency and short notice</i>	<i>10 396.80</i>
<i>Procurement of services for Verification of Qualifications and Reference Check</i>				
<i>Corporate Services</i>	<i>Year 2014/15</i>	<i>Gracan Communication</i>	<i>Urgency and short notice</i>	<i>29 199.32</i>
<i>Procurement of services to repair Damaged Phone</i>				
<i>Corporate Services</i>	<i>Year 2014/15</i>	<i>KZN Health Services</i>	<i>Urgency and short notice</i>	<i>7 590.00</i>
<i>Procurement of services to hire two ambulances for Launch of EPWP Phase 3</i>				

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

Department	Date	Successful Tenderer	Reason	Amount
Corporate Services	Year 2014/15	Lihle Events Services	Urgency and short notice	111 895.56
Procurement of hire of Sound System, Lights, TV Screen, Videograph and Power Cabling for Launch of EPWP Phase 3				
Corporate Services	Year 2014/15	Makhosi Kuwe Trading	Urgency and short notice	21 250.00
Procurement of services for Catering for Community at Launch of EPWP				
Corporate Services	Year 2014/15	Matrix Warehouse	Urgency and short notice	2 679.00
Procurement of Operating System and Upgrade of HP Sytem				
Corporate Services	Year 2014/15	Mavukani Trading	Urgency and short notice	410 000.00
Procurement of hire of MarqueemTent, Seating, Tables, Décor, Standing and Toilets for Launch of EPWP Phase 3				
Corporate Services	Year 2014/15	Nonopha Trading	Urgency and short notice	21 250.00
Procurement of services for Catering for Community at Launch of EPWP				
Corporate Services	Year 2014/15	Omancincwane	Urgency and short notice	21 250.00
Procurement of services for Catering for Community at Launch of EPWP				
Corporate Services	Year 2014/15	Partserve Channel Support	Required strip & quote basis	2 878.70
Procurement of services to repair Laptop Screen				
Corporate Services	Year 2014/15	Pronel	Urgency and short notice	22 800.00
Procurement of services for PA for Mayor's Office				
Corporate Services	Year 2014/15	Richmond Taxi Association	Urgency and short notice	52 000.00
Procurement of Transportation of Community Members to Launch of EPWP Phase 3				
Corporate Services	Year 2014/15	Sabelosethu Trading	Urgency and short notice	21 250.00
Procurement of services for Catering for Community at Launch of EPWP				
Corporate Services	Year 2014/15	Times Group	Sole supplier for local advertisements	3 097.60
Procurement of advertising services to register suppliers on the Database				
Corporate Services	Year 2014/15	Ugesi Contractors	Urgency and short notice	4 200.00
Procurement of services to repair Damaged Phone				
Technical Services	Year 2014/15	Bell Equipment	Service required could be done by agent only	23 632.76
Procurement of 1 000 hours service of TLB and attending to low brakes of TLB				
Technical Services	Year 2014/15	DCB Auto Electrical	Required strip & quote basis	3 946.24
Procurement of services to repair Isolator and Differential wiring of Grader, NK1730				
Technical Services	Year 2014/15	Gateway Hydraulics	Urgency and short notice	2 223.00
Procurement of repairs to 20 Ton Hydraulic Jack				
Technical Services	Year 2014/15	Hambakahle Road Product	Urgency and short notice	10 317.00
Procurement of Colas 60				

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

Department	Date	Successful Tenderer	Reason	Amount
Technical Services	Year 2014/15	Key Truck and PMB (3 occasions)	Service required could be done by agent only	2 627.15
3 Occasions during the financial year procuring services for vehicle NK 5518				
Technical Services	Year 2014/15	Kinsey Engineering (4 occasions)	Required strip & quote basis	23 094.12
4 Occasions during the financial year procuring services for the repair of Slasher, two rams on Compactor and TLB				
Technical Services	Year 2014/15	Komatsu	Urgency and short notice	28 340.00
Procurement of 5 000 hours service of Grader				
Technical Services	Year 2014/15	M Projects	Sole service provider that can perform this kind of services	27 063.60
Procurement of services to Relocate Park Homes from Main Offices to Worksydard				
Technical Services	Year 2014/15	Masakhane Hardware (2 occasions)	Urgency and short notice	5 424.00
2 Occasions during the financial year procuring Paint and Garden Tools				
Technical Services	Year 2014/15	McCarthy Toyota	Service required could be done by agent only	4 598.52
Procurement of 10 000km Service for Toyota Bakkie, NK 1498				
Technical Services	Year 2014/15	Mkhondeni Auto Repairs	Required strip & quote basis	8 037.00
Procurement of services to repair and cleaning of Radiator				
Technical Services	Year 2014/15	Palmer Agriculture (2 occasions)	Parts required only obtainable from agent	3 129.28
2 Occasions during the financial year procuring Parts for Slasher				
Technical Services	Year 2014/15	PMB Forestry	Urgency and short notice	5 700.00
Procurement of 20 000 pieces of Nylon and Speed Line				
Technical Services	Year 2014/15	Summit Hose (3 occasions)	Required strip & quote basis	27 541.75
2 Occasions during the financial year procuring service and overhaul of Hydraulic Ram Chrome and repairs to Power Steering				
Technical Services	Year 2014/15	Truck Den	Required strip & quote basis	28 500.00
Procurement of replacement of Differentila of Isuzu Truck				

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>52 COMMITMENTS FOR EXPENDITURE</b>		
<b>52.1 Capital Commitments</b>		
Commitments in respect of Capital Expenditure:		
- <b>Approved and Contracted for:-</b>	<b>16 648 655</b>	<b>29 714 842</b>
Infrastructure	15 554 617	27 468 322
Community	1 094 038	-
Housing	-	2 246 520
- <b>Approved but Not Yet Contracted for:-</b>	-	-
Infrastructure	-	-
Housing	-	-
<b>Total Capital Commitments</b>	<b>16 648 655</b>	<b>29 714 842</b>
This expenditure will be financed from:		
Government Grants	16 648 655	29 714 842
	<b>16 648 655</b>	<b>29 714 842</b>

**52.2 Lease Commitments**

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 19 and 20.

**53 FINANCIAL INSTRUMENTS**

**53.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Non-current Investments</b>			
Unlisted Shares	Amortised cost	266	266
<b>Long-term Receivables</b>			
uMgungundlovu District Municipality	Amortised cost	0	0
<b>Receivables from Exchange Transactions</b>			
Refuse	Amortised cost	121 232	137 993
Other Receivables	Amortised cost	173 289	1 033 778
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	2 567 289	2 347 417
Payments made in Advance	Amortised cost	2 858	2 598
Accruals	Amortised cost	98 104	85 696
Sundry Deposits	Amortised cost	22 984	9 300
Sundry Debtors	Amortised cost	2 151 453	1 426 843
Suspense Accounts	Amortised cost	248 055	6 305
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	45 796 534	43 808 490
Notice Deposits	Amortised cost	(0)	10 720
Bank Balances	Amortised cost	1 263 438	1 851 718
Cash Floats and Advances	Fair value	3 200	3 200
<b>Current Portion of Long-term Receivables</b>			
uMgungundlovu District Municipality	Amortised cost	-	9 768

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Non-current Investments	Unlisted Shares	266	266
Long-term Receivables	uMgungundlovu District Municipality	0	0
Receivables from Exchange Transactions	Refuse	121 232	137 993
Receivables from Exchange Transactions	Other Debtors	173 289	1 033 778
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2 567 289	2 347 417
Receivables from Non-exchange Transactions	Payments made in Advance	2 858	2 598
Receivables from Non-exchange Transactions	Accruals	98 104	85 696
Receivables from Non-exchange Transactions	Sundry Deposits	22 984	9 300
Receivables from Non-exchange Transactions	Sundry Debtors	2 151 453	1 426 843
Receivables from Non-exchange Transactions	Suspense Accounts	248 055	6 305
Current Portion of Long-term Receivables	uMgungundlovu District Municipality	-	9 768
Cash and Cash Equivalents	Call Deposits	45 796 534	43 808 490
Cash and Cash Equivalents	Notice Deposits	(0)	10 720
Cash and Cash Equivalents	Bank Balances	1 263 438	1 851 718
		<u>52 445 503</u>	<u>50 730 892</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Cash Floats and Advances	3 200	3 200
		<u>3 200</u>	<u>3 200</u>
<b>Total Financial Assets</b>		<u><b>52 448 703</b></u>	<u><b>50 734 092</b></u>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	0	0
Finance Lease Liabilities	Amortised cost	106 765	-
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	841 700	119 352
Retentions	Amortised cost	2 043 029	2 334 831
Other Creditors	Amortised cost	5 259 393	3 126 610
<b>Payables from Non-exchange Transactions</b>			
Staff Leave Accrued	Amortised cost	2 318 222	1 947 021
Sundry Deposits	Amortised cost	23 858	18 431
Suspense Accounts	Amortised cost	100 920	5 473
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Amortised cost	-	9 768
Finance Lease Liabilities	Amortised cost	94 976	11 001

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Annuity Loans	0	0
Long-term Liabilities	Finance Lease Liabilities	106 765	-
Payables from Exchange Transactions	Trade Creditors	841 700	119 352
Payables from Exchange Transactions	Retentions	2 043 029	2 334 831
Payables from Exchange Transactions	Other Creditors	5 259 393	3 126 610
Payables from Non-exchange Transactions	Staff Leave Accrued	2 318 222	1 947 021
Payables from Non-exchange Transactions	Sundry Deposits	23 858	18 431
Payables from Non-exchange Transactions	Suspense Accounts	100 920	5 473
Current Portion of Long-term Liabilities	Annuity Loans	-	9 768
Current Portion of Long-term Liabilities	Finance Lease Liabilities	94 976	11 001
		<u>10 788 862</u>	<u>7 572 487</u>
<b>Total Financial Liabilities</b>		<u><b>10 788 862</b></u>	<u><b>7 572 487</b></u>

### **53.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

#### **Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

#### **Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

#### **Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### **Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

#### **Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

#### **Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2015**

	<b>Level 1</b> <b>R</b>	<b>Level 2</b> <b>R</b>	<b>Level 3</b> <b>R</b>	<b>Total</b> <b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	3 200	-	3 200
<b>Total Financial Assets</b>	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>

**30 June 2014**

	<b>Level 1</b> <b>R</b>	<b>Level 2</b> <b>R</b>	<b>Level 3</b> <b>R</b>	<b>Total</b> <b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	3 200	-	3 200
<b>Total Financial Assets</b>	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>3 200</u>	<u>-</u>	<u>3 200</u>

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

**53.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

**Gearing Ratio**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

The gearing ratio at the year-end was as follows:

Debt	201 741	20 770
Cash and Cash Equivalents	(47 063 172)	(45 674 128)
Net Debt	(46 861 431)	(45 653 358)
Equity	167 937 114	140 770 957
<b>Net debt to equity ratio</b>	<b>-27.90%</b>	<b>-32.43%</b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**53.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**53.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 53.8 to the Annual Financial Statements.

**53.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 53.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**53.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**53.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>2015</b>	<b>2014</b>
<b>R</b>	<b>R</b>

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 53.8 below.

*Cash and Cash Equivalents:*

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2015 would have increased / decreased by R463 601 (30 June 2014: R445 308). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**53.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Counterparty and Location	30 June 2015		30 June 2014	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
RSA	-	230 650	-	169 423
Capensis Inv 50 (Pty) Ltd	-	230 846	-	
Estate Late AS Suleman	-	250 254	-	238 933
RSA	-	516 308	-	
RSA	-	709 908	-	
J Hassum	-	-	-	152 355
Sevontein Prison	-	-	-	599 427
Magnificent Four Properties	-	-	-	864 465

**2015**  
**R**                      **2014**  
**R**

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	266	266
Long-term Receivables	0	9 768
Receivables from Exchange Transactions	731 224	1 447 019
Receivables from Non-exchange Transactions	11 319 981	8 602 128
Bank, Cash and Cash Equivalents	47 063 172	45 674 128

**Maximum Credit and Interest Risk Exposure**

**59 114 643**                      **55 733 309**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

**%**                      **%**

**Consumer Debtors:**

- Household	28.16%	25.48%
- Industrial / Commercial	11.80%	19.70%
- National and Provincial Government	14.41%	12.97%
- Other Classes	23.51%	23.02%

**Other Debtors:**

- Other not Classified	22.12%	18.83%
------------------------	--------	--------

**Total Credit Risk**

**100.00%**                      **100.00%**

**Bank and Cash Balances**

ABSA Bank Ltd	-	15 162 697
First National Bank	42 107 415	25 820 951
Nedbank	4 952 556	4 687 280
Cash Equivalents	3 200	3 200

**Total Bank and Cash Balances**

**47 063 172**                      **45 674 128**

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**Credit quality of Financial Assets:**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Long-term Receivables**

Group 1	0	9 768
Group 2	(0)	-

**Total Long-term Receivables**

<b>0</b>	<b>9 768</b>
----------	--------------

**Receivables from Exchange Transactions**

Counterparties without external credit rating:-

Group 1	14 588	63 439
Group 2	1 652	11 125

16 239	74 563
--------	--------

**Total Receivables from Exchange Transactions**

<b>16 239</b>	<b>74 563</b>
---------------	---------------

**Receivables from Non-exchange Transactions**

Group 1	2 299 359	1 334 657
Group 2	-	-

<b>2 299 359</b>	<b>1 334 657</b>
------------------	------------------

**Total Receivables from Non-exchange Transactions**

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**53 FINANCIAL INSTRUMENTS (Continued)**

**53.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 48 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2015</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0.00%	5 388 732	5 388 466	-	-	-	266
Variable Interest Rate Instruments		6.18%	47 059 972	47 059 972	-	-	-	-
			<b>52 448 703</b>	<b>52 448 437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266</b>
<b>30 June 2014</b>								
Non-interest Bearing		0.00%	5 063 164	5 053 130	9 768	-	-	266
Variable Interest Rate Instruments		4.76%	45 660 208	45 660 208	-	-	-	-
			<b>50 734 092</b>	<b>50 724 058</b>	<b>9 768</b>	<b>-</b>	<b>-</b>	<b>266</b>

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

**53.9 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**54 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

Councillors have an option to belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2 403 846 (2014: R2 271 881) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Retirement Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2014 by ARGENT Actuarial Solutions. The previous statutory actuarial valuation was performed as at 31 March 2012.

The interim actuarial valuation performed as at 31 March 2014 revealed that the fund had a shortfall of R124,0 (31 March 2013: shortfall of R203,8) million, with a funding level of 96,2% (31 March 2013: 93,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) is expected to eradicate the shortfall in the fund by 31 March 2020. However, the basic contribution payable is 0,50% (31 March 2013: 0,27%) less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17,50% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

Recommendations that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% were implemented with effect from 1 August 2012. This position will be monitored on an annual basis. These surcharges are payable for a period of 8 years after date of implementation.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

**Superannuation Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2014 by ARGENT Actuarial Solutions. The previous statutory actuarial valuation was performed as at 31 March 2011.

The interim actuarial valuation performed as at 31 March 2014 revealed that the fund had a shortfall of R0,0 (31 March 2013: shortfall of R158,7) million, with a funding level of 100,0% (31 March 2013: 97,9%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0,71% (31 March 2013: 0,83%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2013: 9,5%) of pensionable salaries.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**                      **2014**  
**R**                              **R**

The total rate of contribution from the employer has been increased to 31,13% (18,00% + 3,63% increase in basic rate + 9,50% surcharge) with effect from 1 August 2012 for a period of 8 years. This surcharge is payable until 31 July 2020. This position will be monitored on an annual basis.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Retirement Fund in the near future.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99,5% (30 June 2009: 102,0%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6,4 (2009: surplus R22,5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10,3 million which will result in a fully funded position.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

**Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2014 by ARGENT Actuarial Solutions. The previous statutory actuarial valuation was performed as at 31 March 2012.

The interim actuarial valuation performed as at 31 March 2013 revealed that the market value of the fund was R2 152,0 (31 March 2013: R1 651,4) million, with a funding level of 104,7% (31 March 2013: 104,2%). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in financial sound position as at 31 March 2014.

None of the above mentioned plans are State Plans.

**55 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**55.1 Interest of Related Parties**

No Related Party Interests have been identified/declared for the two financial years under review.

**55.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>For the Year ended 30 June 2015</b>				
Councillors	3 078	978	-	-
Municipal Manager and Section 57 Personnel	2 610	489	-	-
<b>Total Services</b>	<b>5 687</b>	<b>1 466</b>	<b>-</b>	<b>-</b>
<b>For the Year ended 30 June 2014</b>				
Councillors	3 228	995	-	-
Municipal Manager and Section 57 Personnel	2 734	497	-	-
<b>Total Services</b>	<b>5 962</b>	<b>1 493</b>	<b>-</b>	<b>-</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**                      **2014**  
**R**                                      **R**

**55.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 14 to the Annual Financial Statements.

**55.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 33, 34 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**55.5 Purchases from Related Parties**

The municipality did not buy goods from any companies which can be considered to be Related Parties.

**56 CONTINGENT LIABILITIES**

**56.1 Guarantees:**

(i) First National Bank:  
Council provided letters of suretyship to First National Bank to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act. These amounts have been secured against the staff members' pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members' personal files.

**12 000**                      **12 000**

12 000                                      12 000

**56.2 Court Proceedings:**

(i) Claim for Remuneration:  
Mr Gumede, a former employee of the municipality, is suing the municipality for alleged remuneration owed to him. The municipality has filed its Plea, whilst the plaintiff has filed an exception to that Plea. Normal legal proceedings will start once the plaintiff has set down the exception to be argued in Court. The outcome of the legal proceedings is still unknown.

**45 050**                      **-**

45 050                                      -

**57 CONTINGENT ASSETS**

**57.1 Court Proceedings:**

(i) Breach of Contract:  
The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage.

**4 000 000**                      **-**

4 000 000                                      -

(ii) Claim for Land:  
The municipality is claiming back a piece of land which was bought by Umona Phagi for the purpose of developing low and middle income housing. Umona Phagi failed to develop the property within the specific period of time agreed upon and the municipality cancelled the agreement and is claiming back the land in terms of the contract entered into. Negotiations to settle out of court have failed and the municipality is compelled to go to Court to seek the appropriate order. The outcome of the matter is still unknown..

-    -

**58 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**59 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**RICHMOND LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**60 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

**61 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 44) and Prior Period Errors (Note 45).

**62 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) On 29 May 2015 the Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**RICHMOND LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2015
	R				R	R	R	R
<b>ANNUITY LOANS</b>								
DBSA	96 400	8.50%	12699/101	31/12/2014	4 075	-	4 075	-
DBSA	60 000	10.00%	12700/101	30/06/2015	5 693	-	5 693	-
<b>Total Annuity Loans</b>	<b>156 400</b>				<b>9 768</b>	<b>-</b>	<b>9 768</b>	<b>-</b>
<b>CAPITAL LEASE LIABILITIES</b>								
Gracan	88 020	9.00%		31/05/2014	1 907	-	1 907	-
Konica Minolta	96 344	9.00%		31/07/2014	4 045	-	4 045	-
Konica Minolta	36 011	9.00%		31/07/2014	1 512	-	1 512	-
Konica Minolta	41 798	9.00%		31/07/2014	1 755	-	1 755	-
Konica Minolta	40 144	9.00%		31/07/2014	1 686	-	1 686	-
Nashua	-	9.00%		31/03/2014	97	-	97	-
Konica Minolta	48 691	14.25%		01/10/2017	-	48 691	9 571	39 119
Konica Minolta	56 324	14.25%		01/10/2017	-	56 324	11 072	45 252
Konica Minolta	34 323	56.60%		01/10/2017	-	34 323	4 981	29 342
Konica Minolta	34 323	56.60%		01/10/2017	-	34 323	4 981	29 342
Konica Minolta	34 323	56.60%		01/10/2017	-	34 323	4 981	29 342
Konica Minolta	34 323	56.60%		01/10/2017	-	34 323	4 981	29 342
<b>Total Capital Lease Liabilities</b>	<b>544 624</b>				<b>11 001</b>	<b>242 307</b>	<b>51 568</b>	<b>201 741</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>701 024</b>				<b>20 770</b>	<b>242 307</b>	<b>61 336</b>	<b>201 741</b>

**APPENDIX A**  
**RICHMOND LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

**ANNUITY LOANS:**

**DBSA:**

Structured unsecured 40 year loan for sanitation and water infrastructure. Original loan capital of R96 400 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

**DBSA:**

Structured unsecured 40 year loan for sanitation and water infrastructure. Original loan capital of R60 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

**CAPITALISED LEASE LIABILITIES**

Structured secured finance leases over office equipment; lease repayments over a period of 3 years at fixed interest rates.

**APPENDIX B**  
**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Land</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Land: Developed	1 580 638	-	-	-	-	1 580 638	-	-	-	-	-	1 580 638	-
Land: Undeveloped	10 934 331	-	-	-	-	10 934 331	-	-	-	-	-	10 934 331	-
	<b>12 514 969</b>	-	-	-	-	<b>12 514 969</b>	-	-	-	-	-	<b>12 514 969</b>	-
<b>Buildings</b>													
<i>Residential:</i>													
Mobile Homes	7 014	-	-	-	-	7 014	6 165	174	-	-	6 339	674	-
Residences	210 281	-	-	-	-	210 281	119 371	5 557	-	-	124 927	85 354	-
<i>Non Residential:</i>													
Carports	18 850	-	-	-	-	18 850	3 356	1 935	-	-	5 291	13 559	-
Office Buildings	7 432 165	67 000	-	-	-	7 499 165	1 686 156	352 906	-	-	2 039 062	5 460 102	107 469
Perimeter Protection	3 313 435	-	-	-	-	3 313 435	659 304	181 473	-	-	840 777	2 472 659	-
Workshops and Depots	902 701	-	-	-	-	902 701	212 461	43 393	-	-	255 855	646 846	180 000
	<b>11 884 446</b>	<b>67 000</b>	-	-	-	<b>11 951 446</b>	<b>2 686 813</b>	<b>585 438</b>	-	-	<b>3 272 251</b>	<b>8 679 194</b>	<b>287 469</b>
<b>Infrastructure</b>													
<i>Electricity:</i>													
Cables	4 880	-	-	-	-	4 880	325	108	-	-	434	4 446	-
High Mast Lights	736 968	-	-	-	-	736 968	692 595	6 976	-	-	699 571	37 397	-
Supply and Reticulation	5 530	-	-	-	-	5 530	173	357	-	-	530	5 000	-
<i>Roads and Transport:</i>													
Bridges, Subways and Culverts	2 225 912	-	-	-	-	2 225 912	127 571	38 329	-	-	165 899	2 060 012	-
Bridges - Expansion	587 592	-	-	-	-	587 592	85 796	45 580	-	-	131 376	456 216	-
Pedestrian Footpaths	3 576 076	-	-	22 902	-	3 598 978	356 856	178 137	-	-	534 993	3 063 985	2 000 000
Road Calming Measures	14 179	-	-	-	-	14 179	6 224	488	-	-	6 712	7 467	-
Roads: Asphalt - Basis	11 000 581	-	-	-	-	11 000 581	3 491 895	277 002	-	-	3 768 897	7 231 684	-
Roads: Asphalt - Surface	2 199 637	-	-	-	-	2 199 637	1 519 667	80 523	-	-	1 600 190	599 447	-
Roads: Concrete - Basis	3 900 098	-	-	-	-	3 900 098	312 421	91 925	-	-	404 346	3 495 752	-
Roads: Gravel - Surface	25 583 621	-	27 966 220	5 086 093	-	58 635 933	6 926 697	3 102 356	-	-	10 029 053	48 606 880	15 908 776
Roads: Paved - Surface	246 272	-	-	-	-	246 272	8 226	13 349	-	-	21 575	224 696	-
Roads: Crash Barriers	25 952	-	-	15 761	-	41 713	867	1 061	-	-	1 928	39 785	-
Roads: Kerbs and Channels	1 946 972	-	-	-	-	1 946 972	211 554	40 533	-	-	252 087	1 694 884	-
Stormwater Coastal Structure	1 069 127	-	-	-	-	1 069 127	111 629	41 599	-	-	153 228	915 900	-
Stormwater Culverts	104 427	-	-	-	-	104 427	2 616	2 614	-	-	5 230	99 197	-
Stormwater Culverts: Concrete	858 469	-	-	-	-	858 469	160 191	20 340	-	-	180 531	677 939	-
Stormwater Drains: Concrete	1 752 206	-	-	-	-	1 752 206	227 462	52 095	-	-	279 557	1 472 649	-
Stormwater Pipes	1 091 898	-	-	397 391	-	1 489 289	34 359	74 163	-	-	108 521	1 380 768	3 400 000
Street Lighting	173 755	-	-	-	-	173 755	24 552	6 093	-	-	30 646	143 109	-
Traffic Islands	19 014	-	-	-	-	19 014	4 782	490	-	-	5 272	13 741	-
Traffic Lights	552 510	-	-	-	-	552 510	72 878	35 794	-	-	108 671	443 838	81 140
Traffic Signs	1 795 833	-	-	15 002	-	1 810 835	493 507	165 705	-	-	659 213	1 151 622	-

**APPENDIX B**  
**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<i>Sanitation:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Landfill Sites	1 447 882	-	-	-	-	1 447 882	844 249	150 749	-	-	994 998	452 884	-
<i>Water:</i>													
Reservoirs and Tanks	80 032	-	-	-	-	80 032	22 161	2 087	-	-	24 248	55 784	-
	<b>60 999 421</b>	<b>-</b>	<b>27 966 220</b>	<b>5 537 148</b>	<b>-</b>	<b>94 502 789</b>	<b>15 739 253</b>	<b>4 428 455</b>	<b>-</b>	<b>-</b>	<b>20 167 707</b>	<b>74 335 082</b>	<b>21 389 916</b>
<b>Community Assets</b>													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	25 370	-	-	-	-	25 370	9 463	935	-	-	10 398	14 972	-
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	4 519 077	-	-	3 310 365	-	7 829 442	605 227	311 975	-	-	917 202	6 912 240	295 000
<i>Other Facilities:</i>													
Ablutions/Public Conveniences	391 164	-	-	-	-	391 164	137 225	14 692	-	-	151 917	239 248	-
Cemeteries	4 608	-	-	-	-	4 608	3 572	61	-	-	3 633	975	-
Community Centres	15 258 503	-	14 648 094	-	-	29 906 597	1 760 678	796 196	-	-	2 556 874	27 349 723	9 500 000
Fire Stations	37 367	-	-	-	-	37 367	18 787	1 245	-	-	20 032	17 335	-
Libraries	369 373	-	-	-	-	369 373	111 838	12 303	-	-	124 141	245 232	-
Public Parking	498 373	-	-	-	-	498 373	87 683	23 300	-	-	110 983	387 390	-
	<b>21 103 834</b>	<b>-</b>	<b>14 648 094</b>	<b>3 310 365</b>	<b>-</b>	<b>39 062 293</b>	<b>2 734 473</b>	<b>1 160 706</b>	<b>-</b>	<b>-</b>	<b>3 895 178</b>	<b>35 167 115</b>	<b>9 795 000</b>
<b>Leased Assets</b>													
Office Equipment	363 953	242 307	-	-	(61 636)	544 624	357 939	59 086	-	(61 636)	355 389	189 235	242 000
	<b>363 953</b>	<b>242 307</b>	<b>-</b>	<b>-</b>	<b>(61 636)</b>	<b>544 624</b>	<b>357 939</b>	<b>59 086</b>	<b>-</b>	<b>(61 636)</b>	<b>355 389</b>	<b>189 235</b>	<b>242 000</b>
<b>Other Assets</b>													
<i>Bins and Containers:</i>													
Collection Containers / Bins	37 404	-	-	-	-	37 404	24 258	2 114	-	-	26 372	11 032	316 000
<i>Computer Equipment:</i>													
Computer Hardware	1 690 449	174 434	-	-	(35 466)	1 829 417	1 164 990	164 388	-	(23 597)	1 305 780	523 637	71 600
Computer Networks	35 614	35 400	-	-	-	71 014	12 488	4 954	-	-	17 442	53 572	-
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	33 408	-	-	-	(275)	33 133	14 274	3 538	-	(269)	17 543	15 590	8 000
Medical and Allied Equipment	82 867	-	-	-	-	82 867	58 768	5 671	-	-	64 439	18 428	-
<i>Furniture and Fittings:</i>													
Kitchen Appliances	56 519	9 022	-	-	(3 973)	61 569	25 986	5 329	-	(2 404)	28 910	32 659	8 000
Linen and Soft Furnishing	14 646	-	-	-	-	14 646	11 213	676	-	-	11 889	2 757	-
Other Furniture	1 257 922	134 601	-	-	(31 135)	1 361 388	844 358	94 543	-	(19 535)	919 366	442 022	111 731

**APPENDIX B**  
**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>													
Cycles	550	-	-	-	-	550	452	1	-	-	454	96	-
Motor Cars	3 214 919	-	-	-	-	3 214 919	1 208 628	308 743	-	-	1 517 371	1 697 548	-
Trailers	194 095	316 000	-	-	-	510 095	61 618	32 028	-	-	93 646	416 449	-
Trucks and Bakkies	1 535 246	-	-	-	-	1 535 246	682 673	134 532	-	-	817 204	718 042	-
<i>Office Equipment:</i>													
Air Conditioners	420 066	37 217	-	-	(37 606)	419 676	321 662	29 806	-	(26 722)	324 746	94 930	-
Audiovisual Equipment	212 865	44 591	-	-	(9 824)	247 632	104 574	20 889	-	(8 529)	116 934	130 698	-
Other Office Equipment	397 175	163 971	-	-	(15 896)	545 250	238 726	47 772	-	(13 438)	273 061	272 189	678 922
<i>Plant and Equipment:</i>													
Electric Wire and Power Tools	33 066	-	-	-	-	33 066	17 251	3 408	-	-	20 659	12 407	-
Farm / Agricultural Equipment	470 103	-	-	-	-	470 103	70 163	28 296	-	-	98 459	371 644	-
Gardening Equipment	455 139	100 044	-	-	-	555 183	273 289	70 706	-	-	343 995	211 188	138 400
Metallurgy Equipment	4 147	-	-	-	-	4 147	3 288	199	-	-	3 488	659	-
Pumps and Plumbing Equipment	21 287	-	-	307 311	-	328 598	3 595	10 386	-	-	13 980	314 618	-
Radio Equipment	29 241	-	-	-	-	29 241	27 631	369	-	-	27 999	1 242	-
Security Equipment	9 578	-	-	-	-	9 578	9 220	97	-	-	9 317	261	-
Security Systems	575 884	-	-	-	(5 410)	570 474	433 853	34 803	-	(5 324)	463 332	107 142	-
Speed Control Devices	46 948	-	-	-	-	46 948	17 124	3 686	-	-	20 810	26 138	-
Survey Equipment	2 126	-	-	-	-	2 126	632	287	-	-	919	1 207	-
Telecommunication Equipment	15 032	-	-	-	-	15 032	7 211	1 913	-	-	9 124	5 908	-
Tents, Flags and Accessories	16 490	-	-	-	-	16 490	14 905	260	-	-	15 166	1 325	-
Woodworking Machinery/Equipme	1 263	-	-	-	-	1 263	1 050	48	-	-	1 097	165	-
Workshop Equipment	82 160	1 360	-	-	-	83 520	58 505	7 673	-	-	66 178	17 342	-
Workshop Tools	11 282	1 483	-	-	-	12 765	5 189	1 198	-	-	6 388	6 377	7 400
<i>Specialised Vehicles:</i>													
Refuse Collection Vehicles	488 549	836 926	-	-	-	1 325 475	168 467	113 660	-	-	282 127	1 043 349	837 000
Road Construction Machinery	4 389 940	185 000	-	-	-	4 574 940	1 081 432	294 014	-	-	1 375 446	3 199 493	200 000
	<b>15 835 980</b>	<b>2 040 050</b>	-	<b>307 311</b>	<b>(139 585)</b>	<b>18 043 756</b>	<b>6 967 474</b>	<b>1 425 986</b>	-	<b>(99 818)</b>	<b>8 293 643</b>	<b>9 750 113</b>	<b>2 377 053</b>
<b>Total</b>	<b>122 702 604</b>	<b>2 349 357</b>	<b>42 614 314</b>	<b>9 154 824</b>	<b>(201 221)</b>	<b>176 619 877</b>	<b>28 485 951</b>	<b>7 659 671</b>	-	<b>(161 454)</b>	<b>35 984 169</b>	<b>140 635 708</b>	<b>34 091 438</b>
						0.00					0.00	0.00	

**APPENDIX B**  
**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Afforestation	4 114 852	-	-	-	-	4 114 852	-	-	-	-	-	4 114 852	-
	<b>4 114 852</b>	-	-	-	-	<b>4 114 852</b>	-	-	-	-	-	<b>4 114 852</b>	-
						0.00							

**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	89 682	-	-	-	-	89 682	78 164	3 770	-	-	81 934	7 748	-
	<b>89 682</b>	-	-	-	-	<b>89 682</b>	<b>78 164</b>	<b>3 770</b>	-	-	<b>81 934</b>	<b>7 748</b>	-
						0.00							

**RICHMOND LOCAL MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 41456
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Heritage Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	57 880	-	-	-	-	57 880	-	-	-	-	-	57 880	-
Municipal Jewelry	70 200	-	-	-	(67 200)	3 000	-	-	-	-	-	3 000	-
	<b>128 080</b>	-	-	-	<b>(67 200)</b>	<b>60 880</b>	-	-	-	-	-	<b>60 880</b>	-
						0.00							
<b>Total Asset Register</b>	<b>127 035 218</b>	<b>2 349 357</b>	<b>42 614 314</b>	<b>9 154 824</b>	<b>(268 421)</b>	<b>180 885 292</b>	<b>28 564 115</b>	<b>7 663 442</b>	-	<b>(161 454)</b>	<b>36 066 103</b>	<b>144 819 189</b>	<b>34 091 438</b>

**APPENDIX C**  
**RICHMOND LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	958 476	110 384	-	83 786	(258 389)	894 257	519 073	97 505	25 044	(154 675)	486 949	407 308
Budget and Treasury Office	2 130 270	573 534	-	(84 638)	(9 831)	2 609 336	1 213 020	210 792	(41 614)	(6 654)	1 375 545	1 233 791
Corporate Services	216 699	31 810	-	40 158	-	288 667	141 432	22 136	26 546	-	190 114	98 553
Community and Social Services	47 096 585	103 083	14 648 094	3 654 710	-	65 502 472	5 799 615	1 726 899	47 285	-	7 573 799	57 928 673
Public Safety	1 357 366	46 452	-	(97 359)	-	1 306 458	809 692	117 787	(82 749)	-	844 729	461 728
Planning and Development	15 326 440	1 456 167	-	20 907	(201)	16 803 314	4 322 534	1 063 584	25 437	(125)	5 411 430	11 391 883
Roads and Transport	58 440 388	-	27 966 220	5 537 148	-	91 943 757	14 882 109	4 268 305	-	-	19 150 414	72 793 343
Waste Management	1 508 995	27 926	-	112	-	1 537 033	876 640	156 433	49	-	1 033 123	503 910
<b>Total</b>	<b>127 035 218</b>	<b>2 349 357</b>	<b>42 614 314</b>	<b>9 154 824</b>	<b>(268 421)</b>	<b>180 885 292</b>	<b>28 564 115</b>	<b>7 663 442</b>	<b>0</b>	<b>(161 454)</b>	<b>36 066 103</b>	<b>144 819 189</b>

**APPENDIX D**  
**RICHMOND LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)
R	R	R		R	R	R
			<b>Municipal Governance and Administration</b>			
2 197 000	7 537 311	(5 340 311)	Executive and Council	2 801 055	8 611 246	(5 810 190)
44 607 336	8 850 477	35 756 859	Budget and Treasury Office	54 117 147	10 266 211	43 850 936
1 526 796	8 963 609	(7 436 813)	Corporate Services	1 661 546	9 507 651	(7 846 105)
			<b>Community and Public Safety</b>			
4 840 714	7 487 879	(2 647 164)	Community and Social Services	1 856 486	8 861 927	(7 005 441)
229 265	2 145 889	(1 916 624)	Public Safety	275 131	2 341 874	(2 066 744)
4 551 518	4 544 411	7 107	Sport and Recreation	4 997 923	5 177 311	(179 388)
1 360 540	1 360 540	0	<b>Housing</b>	348 445	348 445	-
-	-	-	<b>Health</b>	-	-	-
			<b>Economic and Environmental Services</b>			
-	-	-	Environmental Protection	-	-	-
23 777 143	8 413 260	15 363 883	Planning and Development	29 009 050	10 873 073	18 135 977
861 004	9 789 164	(8 928 161)	Roads and Transport	800 187	11 481 749	(10 681 562)
			<b>Trading Services</b>			
-	-	-	Electricity	-	-	-
1 208 931	3 056 432	(1 847 500)	Waste Management	929 266	2 160 593	(1 231 327)
-	-	-	Waste Water Management	-	-	-
-	-	-	Water	-	-	-
-	-	-	<b>Other</b>	-	-	-
<b>85 160 248</b>	<b>62 148 972</b>	<b>23 011 276</b>	Sub-Total	<b>96 796 236</b>	<b>69 630 079</b>	<b>27 166 157</b>
			Revenue Foregone			
<b>85 160 248</b>	<b>62 148 972</b>	<b>23 011 276</b>	<b>Total</b>	<b>96 796 236</b>	<b>69 630 079</b>	<b>27 166 157</b>

**APPENDIX E(1)**  
**RICHMOND LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15											2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE - STANDARD</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Governance and Administration:</b>															
Executive and Council	2 553 000	300 000	2 853 000	-	-	2 853 000	2 801 055	-	(51 945)	98.18	109.72				2 197 000
Budget and Treasury Office	51 891 560	1 675 440	53 567 000	-	-	53 567 000	54 117 147	-	550 147	101.03	104.29				44 607 336
Corporate Services	1 645 770	1 300	1 647 070	-	-	1 647 070	1 661 546	-	14 476	100.88	100.96				1 526 796
<b>Community and Public Safety:</b>															
Community and Social Services	1 719 300	165 690	1 884 990	-	-	1 884 990	1 856 486	-	(28 504)	98.49	107.98				4 840 714
Sport and Recreation	2 658 000	1 526 000	4 184 000	-	-	4 184 000	4 997 923	-	813 923	119.45	188.03				4 551 518
Public Safety	266 000	(125 000)	141 000	-	-	141 000	275 131	-	134 131	195.13	103.43				229 265
Housing	-	348 445	348 445	-	-	348 445	348 445	-	-	100.00	0.00				1 360 540
<b>Economic and Environmental Services:</b>															
Planning and Development	18 829 500	13 681 916	32 511 416	-	-	32 511 416	29 009 050	-	(3 502 366)	89.23	154.06				23 777 143
Road Transport	1 117 000	(250 000)	867 000	-	-	867 000	800 187	-	(66 813)	92.29	71.64				861 004
<b>Trading Services:</b>															
Waste Management	642 000	287 782	929 782	-	-	929 782	929 266	-	(516)	99.94	144.75				1 208 931
<b>Total Revenue - Standard</b>	<b>81 322 130</b>	<b>17 611 573</b>	<b>98 933 703</b>	<b>-</b>	<b>-</b>	<b>98 933 703</b>	<b>96 796 236</b>	<b>-</b>	<b>(2 137 467)</b>	<b>97.84</b>	<b>119.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85 160 248</b>
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	8 858 175	366 900	9 225 075	-	-	9 225 075	8 611 246	-	(613 829)	93.35	97.21				7 537 311
Budget and Treasury Office	10 036 750	683 635	10 720 385	-	-	10 720 385	10 266 211	-	(454 174)	95.76	102.29				8 850 477
Corporate Services	10 785 485	(324 879)	10 460 606	-	-	10 460 606	9 507 651	-	(952 955)	90.89	88.15				8 963 609
<b>Community and Public Safety:</b>															
Community and Social Services	8 925 575	203 250	9 128 825	-	-	9 128 825	8 861 927	-	(266 899)	97.08	99.29				7 487 879
Sport and Recreation	1 620 827	3 659 702	5 280 529	3 646	-	5 284 175	5 177 311	-	(106 863)	97.98	319.42				4 544 411
Public Safety	2 342 380	81 300	2 423 680	-	-	2 423 680	2 341 874	-	(81 806)	96.62	99.98				2 145 889
Housing	-	348 445	348 445	-	-	348 445	348 445	-	-	100.00	0.00				1 360 540
<b>Economic and Environmental Services:</b>															
Planning and Development	9 470 956	2 741 926	12 212 882	-	-	12 212 882	10 873 073	-	(1 339 809)	89.03	114.80				8 413 260
Road Transport	11 016 477	441 840	11 458 317	5 000	-	11 463 317	11 481 749	-	18 432	100.16	104.22				9 789 164
<b>Trading Services:</b>															
Waste Management	3 200 468	(236 400)	2 964 068	(8 646)	-	2 955 422	2 160 593	-	(794 829)	73.11	67.51				3 056 432
<b>Total Expenditure - Standard</b>	<b>66 257 093</b>	<b>7 965 719</b>	<b>74 222 812</b>	<b>-</b>	<b>-</b>	<b>74 222 812</b>	<b>69 630 079</b>	<b>-</b>	<b>(4 592 732)</b>	<b>93.81</b>	<b>105.09</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62 148 972</b>
<b>Surplus/(Deficit) for the year</b>	<b>15 065 037</b>	<b>9 645 854</b>	<b>24 710 891</b>	<b>-</b>	<b>-</b>	<b>24 710 891</b>	<b>27 166 157</b>	<b>-</b>	<b>2 455 266</b>	<b>109.94</b>	<b>180.33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 011 276</b>

**APPENDIX E (2)**  
**RICHMOND LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15											2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE BY VOTE</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Vote 1 - Executive and Council	2 553 000	300 000	2 853 000	-	-	2 853 000	2 801 055	-	(51 945)	98.18	109.72				2 197 000
Vote 2 - Finance and Administration	52 925 560	1 704 240	54 629 800	-	-	54 629 800	55 175 224	-	545 424	101.00	104.25				45 570 195
Vote 3 - Community and Social Services	2 331 070	486 635	2 817 705	-	-	2 817 705	2 808 399	-	(9 305)	99.67	120.48				6 765 192
Vote 4 - Planning and Development	18 829 500	13 681 916	32 511 416	-	-	32 511 416	29 009 050	-	(3 502 366)	89.23	154.06				23 777 143
Vote 5 - Public Safety	866 000	(375 000)	491 000	-	-	491 000	562 811	-	71 811	114.63	64.99				597 935
Vote 6 - Road Transport	517 000	-	517 000	-	-	517 000	512 507	-	(4 493)	99.13	99.13				492 334
Vote 7 - Sport and Recreation	2 658 000	1 526 000	4 184 000	-	-	4 184 000	4 997 923	-	813 923	119.45	188.03				4 551 518
Vote 8 - Waste Management	642 000	287 782	929 782	-	-	929 782	929 266	-	(516)	99.94	144.75				1 208 931
<b>Total Revenue by Vote</b>	<b>81 322 130</b>	<b>17 611 573</b>	<b>98 933 703</b>	<b>-</b>	<b>-</b>	<b>98 933 703</b>	<b>96 796 236</b>	<b>-</b>	<b>(2 137 467)</b>	<b>97.84</b>	<b>119.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85 160 248</b>
<b>EXPENDITURE BY VOTE</b>															
Vote 1 - Executive and Council	8 858 175	366 900	9 225 075	-	-	9 225 075	8 611 246	-	(613 829)	93.35	97.21				7 537 311
Vote 2 - Finance and Administration	17 332 206	98 342	17 430 548	-	-	17 430 548	16 306 721	-	(1 123 827)	93.55	94.08				14 506 705
Vote 3 - Community and Social Services	10 638 999	786 034	11 425 033	-	-	11 425 033	10 920 783	-	(504 250)	95.59	102.65				10 564 435
Vote 4 - Planning and Development	9 470 956	2 741 926	12 212 882	-	-	12 212 882	10 873 073	-	(1 339 809)	89.03	114.80				8 413 260
Vote 5 - Public Safety	5 419 800	(277 625)	5 142 175	-	-	5 142 175	4 839 351	-	(302 824)	94.11	89.29				4 521 383
Vote 6 - Road Transport	9 735 112	821 840	10 556 952	5 000	-	10 561 952	10 741 002	-	179 050	101.70	110.33				9 005 037
Vote 7 - Sport and Recreation	1 601 377	3 664 702	5 266 079	3 646	-	5 269 725	5 177 311	-	(92 413)	98.25	323.30				4 544 411
Vote 8 - Waste Management	3 200 468	(236 400)	2 964 068	(8 646)	-	2 955 422	2 160 593	-	(794 829)	73.11	67.51				3 056 432
<b>Total Expenditure by Vote</b>	<b>66 257 093</b>	<b>7 965 719</b>	<b>74 222 812</b>	<b>-</b>	<b>-</b>	<b>74 222 812</b>	<b>69 630 079</b>	<b>-</b>	<b>(4 592 732)</b>	<b>93.81</b>	<b>105.09</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62 148 972</b>
<b>Surplus/(Deficit) for the year</b>	<b>15 065 037</b>	<b>9 645 854</b>	<b>24 710 891</b>	<b>-</b>	<b>-</b>	<b>24 710 891</b>	<b>27 166 157</b>	<b>-</b>	<b>2 455 266</b>	<b>109.94</b>	<b>180.33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 011 276</b>

**APPENDIX E (3)**  
**RICHMOND LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15											2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>Revenue by Source</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Property Rates	9 752 000	200 000	9 952 000	-	-	9 952 000	10 167 863	-	215 863	102.17	104.26	-	-	-	9 437 738
Property Rates - Penalties & Collection Charges	450 000	100 000	550 000	-	-	550 000	1 037 247	-	487 247	188.59	230.50	-	-	-	824 167
Service Charges - Refuse	400 000	-	400 000	-	-	400 000	425 934	-	25 934	106.48	106.48	-	-	-	405 186
Rental of Facilities and Equipment	1 114 270	3 651 000	4 765 270	-	-	4 765 270	5 583 050	-	817 780	117.16	501.05	-	-	-	5 176 990
Interest Earned - External Investments	1 800 000	1 200 000	3 000 000	-	-	3 000 000	2 868 356	-	(131 644)	95.61	159.35	-	-	-	2 120 545
Interest Earned - Outstanding Debtors	120 000	8 000	128 000	-	-	128 000	103 920	-	(24 080)	81.19	86.60	-	-	-	132 978
Fines	252 750	(200 000)	52 750	-	-	52 750	168 550	-	115 800	319.53	66.69	-	-	-	138 000
Licences and Permits	630 500	(250 000)	380 500	-	-	380 500	325 603	-	(54 897)	85.57	51.64	-	-	-	377 056
Agency Services	536 350	15 650	552 000	-	-	552 000	558 232	-	6 232	101.13	104.08	-	-	-	515 261
Transfers Recognised - Operational	(169 709 151)	(184 026 151)	(353 735 302)	-	-	(353 735 302)	47 616 071	-	401 351 373	0.00	0.00	-	-	-	65 595 223
Other Revenue	480 260	206 500	686 760	-	-	686 760	622 867	-	(63 893)	90.70	129.69	-	-	-	437 105
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>(154 173 021)</b>	<b>(179 095 001)</b>	<b>(333 268 022)</b>	<b>-</b>	<b>-</b>	<b>(333 268 022)</b>	<b>69 477 691</b>	<b>-</b>	<b>402 745 714</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85 160 248</b>
<b>Expenditure</b>															
Employee Related Costs	30 719 457	(1 633 900)	29 085 558	(5 600)	-	29 079 958	27 440 156	-	(1 639 801)	94.36	89.33	-	-	-	24 411 536
Remuneration of Councillors	4 214 061	-	4 214 061	-	-	4 214 061	4 013 283	-	(200 778)	95.24	95.24	-	-	-	3 750 576
Debt Impairment	500 000	400 000	900 000	-	-	900 000	1 784 294	884 294	884 294	198.25	356.86	-	-	-	1 182 130
Depreciation and Asset Impairment	6 148 706	1 032 235	7 180 941	-	-	7 180 941	7 663 442	482 501	482 501	106.72	124.64	-	-	-	6 437 940
Finance Charges	234 330	13 900	248 230	-	-	248 230	(191 778)	-	(440 008)	0.00	0.00	-	-	-	677 692
Other Materials	3 244 197	(175 493)	3 068 704	(57 334)	-	3 011 370	2 545 247	-	(466 123)	84.52	78.46	-	-	-	2 583 435
Contracted Services	5 081 211	3 302 228	8 383 439	-	-	8 383 439	7 583 504	-	(799 935)	90.46	149.25	-	-	-	5 916 939
Transfers and Grants	944 000	377 820	1 321 820	29 140	-	1 350 960	1 345 454	-	(5 505)	99.59	142.53	-	-	-	1 987 752
Other Expenditure	15 171 131	4 648 929	19 820 060	33 794	-	19 853 854	17 339 509	-	(2 514 345)	87.34	114.29	-	-	-	14 837 726
Loss on Disposal of PPE	-	-	-	-	-	-	106 967	106 967	106 967	0.00	0.00	-	-	-	363 247
<b>Total Expenditure</b>	<b>66 257 093</b>	<b>7 965 719</b>	<b>74 222 812</b>	<b>-</b>	<b>-</b>	<b>74 222 812</b>	<b>69 630 079</b>	<b>1 473 763</b>	<b>(4 592 732)</b>	<b>93.81</b>	<b>105.09</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62 148 972</b>
<b>Surplus/(Deficit)</b>	<b>(220 430 114)</b>	<b>(187 060 720)</b>	<b>(407 490 834)</b>	<b>-</b>	<b>-</b>	<b>(407 490 834)</b>	<b>(152 388)</b>	<b>(1 473 763)</b>	<b>407 338 446</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 011 276</b>
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	27 318 545	-	(404 883 180)	6.32	11.60	-	-	-	-
<b>Surplus/(Deficit) for the Year</b>	<b>15 065 037</b>	<b>9 645 854</b>	<b>24 710 891</b>	<b>-</b>	<b>-</b>	<b>24 710 891</b>	<b>27 166 157</b>	<b>(1 473 763)</b>	<b>2 455 266</b>	<b>109.94</b>	<b>180.33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 011 276</b>

**APPENDIX E(4)**  
**RICHMOND LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15											2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>CAPITAL EXPENDITURE - VOTE</b>	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Multi-year Expenditure</b>															
<b>Total Capital Expenditure - Multi-year</b>	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Single-year Expenditure</b>															
Vote 1 - Executive and Council	-	250 000	250 000	-	(11 331)	238 669	50 048	-	(188 621)	20.97	0.00	-	-	-	-
Vote 2 - Finance and Administration	52 000	449 000	501 000	-	11 331	512 331	521 161	-	8 830	101.72	1 002.23	-	-	-	-
Vote 3 - Community and Social Services	15 000	1 268 090	1 283 090	-	(10 000)	1 273 090	1 159 914	-	(113 176)	91.11	7 732.76	-	-	-	-
Vote 4 - Planning and Development	214 700	32 300	247 000	-	10 000	257 000	-	-	(257 000)	0.00	0.00	-	-	-	-
Vote 5 - Public Safety	94 000	8 295 000	8 389 000	-	-	8 389 000	7 298 381	-	(1 090 619)	87.00	7 764.23	-	-	-	-
Vote 6 - Road Transport	18 823 000	3 066 566	21 889 566	-	(235 000)	21 654 566	16 508 187	-	(5 146 379)	76.23	87.70	-	-	-	-
Vote 7 - Sport and Recreation	2 300 000	(2 196 000)	104 000	-	235 000	339 000	21 176	-	(317 824)	6.25	0.92	-	-	-	-
Vote 8 - Waste Management	-	1 427 782	1 427 782	-	-	1 427 782	1 399 751	-	(28 031)	98.04	0.00	-	-	-	-
<b>Total Capital Expenditure - Single-year</b>	21 498 700	12 592 738	34 091 438	-	-	34 091 438	26 958 617	-	(7 132 821)	79.08	125.40	-	-	-	-
<b>Total Capital Expenditure - Vote</b>	<b>21 498 700</b>	<b>12 592 738</b>	<b>34 091 438</b>	<b>-</b>	<b>-</b>	<b>34 091 438</b>	<b>26 958 617</b>	<b>-</b>	<b>(7 132 821)</b>	<b>79.08</b>	<b>125.40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	-	250 000	250 000	-	(11 331)	238 669	50 048	-	(188 621)	20.97	0.00	-	-	-	45 488
Budget and Treasury Office	35 000	25 000	60 000	-	11 331	71 331	62 485	-	(8 846)	87.60	178.53	-	-	-	138 363
Corporate Services	17 000	424 000	441 000	-	-	441 000	458 676	17 676	17 676	104.01	2 698.09	-	-	-	-
<b>Community and Public Safety:</b>															
Community and Social Services	15 000	1 268 090	1 283 090	-	(10 000)	1 273 090	1 159 914	-	(113 176)	91.11	7 732.76	-	-	-	10 919 685
Sport and Recreation	2 300 000	(2 196 000)	104 000	-	235 000	339 000	21 176	-	(317 824)	6.25	0.92	-	-	-	-
Public Safety	94 000	8 295 000	8 389 000	-	-	8 389 000	7 298 381	-	(1 090 619)	87.00	7 764.23	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	214 700	32 300	247 000	-	10 000	257 000	-	-	(257 000)	0.00	0.00	-	-	-	1 341 845
Road Transport	18 823 000	3 066 566	21 889 566	-	(235 000)	21 654 566	16 508 187	-	(5 146 379)	76.23	87.70	-	-	-	12 052 693
<b>Trading Services:</b>															
Waste Management	-	1 427 782	1 427 782	-	-	1 427 782	1 399 751	-	(28 031)	98.04	0.00	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>21 498 700</b>	<b>12 592 738</b>	<b>34 091 438</b>	<b>-</b>	<b>-</b>	<b>34 091 438</b>	<b>26 958 617</b>	<b>17 676</b>	<b>(7 132 821)</b>	<b>79.08</b>	<b>125.40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24 498 074</b>
<b>FUNDED BY:</b>															
National Government	16 618 350	5 570 426	22 188 776	-	-	22 188 776	19 564 407	-	(2 624 369)	88.17	117.73	-	-	-	8 809 001
Provincial Government	2 250 000	6 278 390	8 528 390	-	-	8 528 390	4 422 602	-	(4 105 788)	51.86	196.56	-	-	-	-
District Municipality	-	60 000	60 000	-	-	60 000	23 158	-	(36 842)	38.60	0.00	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	1 470 971
<b>Transfers Recognised - Capital</b>	<b>18 868 350</b>	<b>11 908 816</b>	<b>30 777 166</b>	<b>-</b>	<b>-</b>	<b>30 777 166</b>	<b>24 010 167</b>	<b>-</b>	<b>(6 766 999)</b>	<b>78.01</b>	<b>127.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 279 972</b>
Public Contributions & Donations	-	377 272	377 272	-	-	377 272	349 254	-	(28 018)	92.57	0.00	-	-	-	-
Borrowing	-	242 000	242 000	-	-	242 000	242 307	307	307	100.13	0.00	-	-	-	-
Internally Generated Funds	2 630 350	64 650	2 695 000	-	-	2 695 000	2 356 889	-	(338 111)	87.45	89.60	-	-	-	10 927 412
<b>Total Capital Funding</b>	<b>21 498 700</b>	<b>12 592 738</b>	<b>34 091 438</b>	<b>-</b>	<b>-</b>	<b>34 091 438</b>	<b>26 958 617</b>	<b>307</b>	<b>(7 132 821)</b>	<b>79.08</b>	<b>125.40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 207 384</b>

**APPENDIX E(5)**  
**RICHMOND LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15								2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	77 398 000	(1 613 000)	75 785 000	75 785 000	16 619 716	(59 165 284)	21.93	21.47	13 294 949
Government - Operating	(233 695 151)	(196 706 574)	(430 401 725)	(430 401 725)	37 668 349				40 998 636
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	27 318 545	(404 883 180)	6.32	11.60	21 778 411
Interest	-	-	-	-	2 868 356	2 868 356	0.00	0.00	2 120 545
<b>Payments</b>									
Suppliers and Employees	(56 808 000)	377 820	(56 430 180)	(56 401 040)	(55 154 599)	1 246 441	0.00	0.00	(50 580 275)
Finance Charges	(114 000)	-	(114 000)	(114 000)	191 778	305 778	0.00	0.00	(677 692)
Transfers and Grants	(944 000)	(377 820)	(1 321 820)	(1 350 960)	(1 345 454)	5 505	0.00	0.00	(1 987 752)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	21 332 000	(1 613 000)	19 719 000	19 719 000	28 166 690	(459 622 384)	142.84	132.04	24 946 822
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	-	-	-	-	(0)	(0)	0.00	0.00	(363 247)
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	0.00	0.00	1 926 031
<b>Payments</b>									
Capital Assets	(21 499 000)	(12 592 000)	(34 091 000)	(34 091 000)	(26 958 617)	7 132 383	0.00	0.00	(24 100 021)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(21 499 000)	(12 592 000)	(34 091 000)	(34 091 000)	(26 958 617)	7 132 383	0.00	0.00	(22 537 237)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised	-	-	-	-	242 307	242 307	0.00	0.00	-
<b>Payments</b>									
Loans repaid	(140 000)	-	(140 000)	(140 000)	(61 336)	78 664	0.00	0.00	(150 364)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	(140 000)	-	(140 000)	(140 000)	180 971	320 971	0.00	0.00	(150 364)
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	307 000	14 205 000	14 512 000	14 512 000	(1 389 044)	(15 901 044)	0.00	0.00	(2 259 221)
Cash / Cash Equivalents at the Year begin:	74 680 000	(29 006 000)	45 674 000	45 674 000	45 674 128	128	100.00	61.16	43 414 907
Cash / Cash Equivalents at the Year end:	74 373 000	(43 211 000)	31 162 000	31 162 000	47 063 172	15 901 172	151.03	63.28	45 674 128

**APPENDIX F**  
**RICHMOND LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	16 325 000	13 747 000	11 171 000	0	16 325 000	13 747 000	11 171 000	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 800 000	0	0	0	286 664	339 335	213 525	960 476	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	6 000 000	9 000 000	2 493 000	0	4 513 683	27 464	2 933 827	7 338 384	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	934 000	0	0	0	91 282	69 250	5 634	767 834	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	502 000	376 000	377 000	0	106 099	322 746	316 126	510 028	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province	150 000	0	0	150 000	0	24 404	43 384	82 213	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Local District Municipality	LDM	0	0	76 000	0	0	0	0	76 000	N/A	N/A	N/A	N/A	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>25 711 000</b>	<b>23 123 000</b>	<b>14 117 000</b>	<b>150 000</b>	<b>21 322 728</b>	<b>14 530 199</b>	<b>14 683 496</b>	<b>9 734 935</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

**APPENDIX G**  
**RICHMOND LOCAL MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2015

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b> Ragavaloo A.	-	640 489	-	30 468	72 006	-	-	-	-	-	-	742 963
<b>Deputy Mayor</b> Ngcobo P.C.	-	252 035	-	88 571	-	-	-	-	-	-	-	340 606
<b>Speaker</b> Shabalala S.T. (July 2014 to January 2015)	-	142 055	-	51 666	4 965	-	-	-	-	-	-	198 687
<b>Executive Committee</b> Kunene T.D.	-	233 664	-	84 565	2 617	-	-	-	-	-	-	320 847
<b>Other Councillors</b> Jili J. (Jul 2014 - Jan 2015 & Apr 2015 - Jun 2015)	-	129 712	-	56 405	9 896	-	-	-	-	-	-	196 013
Madonda T.C.	-	150 305	-	68 175	21 536	-	-	-	-	-	-	240 016
Magubane K.E.	-	154 875	-	68 175	16 965	-	-	-	-	-	-	240 016
Maphumulo M.	-	141 959	-	68 175	29 881	-	-	-	-	-	-	240 016
Mdlalose S.A.	-	155 122	-	68 175	16 719	-	-	-	-	-	-	240 016
Mngadi B.M.	-	167 585	-	68 175	4 256	-	-	-	-	-	-	240 016
Moonsamay P.	-	154 561	-	68 175	17 280	-	-	-	-	-	-	240 016
Ngcongo B.	-	167 585	-	68 175	4 256	-	-	-	-	-	-	240 016
Ngubo M.D.B.	-	167 585	-	68 175	4 256	-	-	-	-	-	-	240 016
Shange R.B.	-	154 875	-	68 175	16 965	-	-	-	-	-	-	240 016
Tshelembe W.T. (April 2015 to June 2015)	-	39 368	-	16 636	-	-	-	-	-	-	-	56 004
<b>Total for Councillors</b>	-	2 851 775	-	941 886	221 597	-	-	-	-	-	-	4 015 259
<b>Municipal Manager</b> Sithole E.S.	-	603 981	-	417 030	32 646	-	-	-	-	-	-	1 053 657
<b>Chief Financial Officer</b> Hloba M.	-	133 170	-	22 001	3 663	-	-	-	-	-	-	158 834
<b>Manager: Community Services</b> Mhlongo B.M.	-	216 383	-	564 796	94 332	-	-	-	-	-	-	875 510
<b>Manager: Corporate Services</b> Mthmebu S.L.	-	277 223	-	523 241	77 445	-	-	-	-	-	-	877 910
<b>Manager: Technical Services</b> Mkhize S.D.	-	536 882	-	336 761	1 866	-	-	-	-	-	-	875 510
<b>Total for Senior Managers</b>	-	1 767 639	-	1 863 830	209 952	-	-	-	-	-	-	3 841 421
<b>Total for Management</b>	-	4 619 414	-	2 805 716	431 550	-	-	-	-	-	-	7 856 680

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b> Ragavaloo A.	-	525 428	-	70 968	72 006	-	-	-	-	-	-	668 402
<b>Deputy Mayor</b> Ngcobo P.C.	-	219 229	-	88 571	-	-	-	-	-	-	-	307 800
<b>Speaker</b> Shabalala S.T.	-	210 717	-	88 571	8 512	-	-	-	-	-	-	307 800
<b>Executive Committee</b> Kunene T.D.	-	202 908	-	84 565	2 617	-	-	-	-	-	-	290 090
<b>Other Councillors</b> Jili J.	-	132 508	-	68 175	16 965	-	-	-	-	-	-	217 648
Madonda T.C.	-	127 938	-	68 175	21 536	-	-	-	-	-	-	217 648
Magubane K.E.	-	132 508	-	68 175	16 965	-	-	-	-	-	-	217 648
Maphumulo M.	-	125 352	-	68 175	24 121	-	-	-	-	-	-	217 648
Mdlalose S.A.	-	132 754	-	68 175	16 719	-	-	-	-	-	-	217 648
Mngadi B.M.	-	145 218	-	68 175	4 256	-	-	-	-	-	-	217 648
Moonsamay P.	-	137 953	-	68 175	11 520	-	-	-	-	-	-	217 648
Ngcongo B.	-	145 218	-	68 175	4 256	-	-	-	-	-	-	217 648
Ngubo M.D.B.	-	145 218	-	68 175	4 256	-	-	-	-	-	-	217 648
Shange R.B.	-	132 508	-	68 175	16 965	-	-	-	-	-	-	217 648
<b>Total for Councillors</b>	-	2 515 459	-	1 014 425	220 693	-	-	-	-	-	-	3 750 576
<b>Municipal Manager</b> Sithole E.S.	-	493 792	-	405 597	31 428	-	-	-	-	-	-	930 816
<b>Chief Financial Officer</b> Hloba M.	-	461 813	-	289 702	45 736	-	-	-	-	-	-	797 250
<b>Manager: Community Services</b> Mhlongo B.M.	-	213 997	-	450 327	91 624	-	-	-	-	-	-	755 948
<b>Manager: Corporate Services</b> Mthmebu S.L.	-	208 260	-	476 727	70 960	-	-	-	-	-	-	755 948
<b>Manager: Technical Services</b> Mkhize S.D.	-	83 417	-	44 607	310	-	-	-	-	-	-	128 333
<b>Total for Senior Managers</b>	-	1 461 278	-	1 666 959	240 057	-	-	-	-	-	-	3 368 294
<b>Total for Management</b>	-	3 976 736	-	2 681 384	460 750	-	-	-	-	-	-	7 118 871

**APPENDIX H**  
**RICHMOND LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		27.91%	28.31%	Refer to Page 2 of MFMA Circular No 71	
					Total Operating Expenditure	69 630 079	62 148 972		
					Taxation Expense	-	-		
					Total Capital Expenditure	26 958 617	24 544 519		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.06%	0.07%	Refer to Page 3 of MFMA Circular No 71	
					PPE, Investment Property & Intangible Impairment	81 310	84 000		
					PPE at Carrying Value	140 635 708	121 376 530		
					IP at Carrying Value	4 114 852	4 114 852		
					Intangible Assets at Carrying Value	7 748	11 518		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		1.76%	2.06%	Refer to Page 4 of MFMA Circular No 71	
					Total Repairs and Maintenance Expenditure	2 545 247	2 583 435		
					PPE at Carrying Value	140 635 708	121 376 530		
					Investment Property at Carrying Value	4 114 852	4 114 852		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		89.41%	84.61%	Refer to Page 5 of MFMA Circular No 71	
					Gross Debtors Closing Balance	9 385 682	8 156 706		
					Gross Debtors Opening Balance	8 156 706	6 494 822		
					Bad Debts Written-off	13 587	226		
					Billed Revenue	11 734 964	10 800 068		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.83%	0.02%	Refer to Page 5 of MFMA Circular No 71	
					Consumer Debtors Bad Debts Written-off	13 587	226		
					Consumer Debtors Current Bad Debt Provision	1 642 226	1 078 145		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		89 Days	119 Days	Refer to Page 6 of MFMA Circular No 71	
					Gross Debtors	9 385 682	8 156 706		
					Bad Debts Provision	6 523 872	4 637 518		
					Billed Revenue	11 734 964	10 800 068		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		8 Months	6 Months	Refer to Page 7 of MFMA Circular No 71	
					Cash and Cash Equivalents	47 063 172	45 674 128		
					Unspent Conditional Grants	7 416 519	17 364 240		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	60 075 376	54 165 655		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		2.82	1.99	Refer to Page 7 of MFMA Circular No 71	
					Current Assets	53 483 760	51 586 218		
					Current Liabilities	18 941 486	25 877 325		

**APPENDIX H**  
**RICHMOND LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		-0.02%	-0.23%	Refer to Page 8 of MFMA Circular No 71	
					Interest Paid	49 968	6 901		
					Redemption	(61 336)	(150 364)		
					Total Operating Expenditure	69 630 079	62 148 972		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		0.40%	0.00%	Refer to Page 9 of MFMA Circular No 71	
					Total Debt	201 741	-		
					Total Operating Revenue	96 796 236	-		
					Operational Conditional Grants	46 882 920	39 611 370		
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		100.00%	100.00%	Refer to Page 9 of MFMA Circular No 71	
					Cash and Cash Equivalents	47 063 172	45 674 128		
					Bank Overdraft	-	-		
					Short Term Investment	-	-		
					Long Term Investment	266	266		
					Unspent Grants	7 416 519	17 364 240		
					Net Assets	167 937 114	140 770 957		
					Share Premium	-	-		
					Share Capital	-	-		
					Revaluation Reserve	-	-		
					Fair Value Adjustment Reserve	-	-		
					Accumulated Surplus	167 937 114	140 770 957		
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		28.18%	27.45%	Refer to Page 10 of MFMA Circular No 71	
					Total Operating Revenue	96 796 236	85 160 248		
					Depreciation - Revalued Portion	-	-		
					Total Operating Expenditure	69 523 112	61 785 725		
					Taxation Expense	-	-		
2.	Net Surplus / Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure /Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	0% - 15%		0.00%	0.00%	Refer to Page 10 of MFMA Circular No 71	
					Total Electricity Revenue	-	-		
					Total Electricity Expenditure	-	-		
3.	Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		0.00%	0.00%	Refer to Page 11 of MFMA Circular No 71	
					Total Water Revenue	-	-		
					Total Water Expenditure	-	-		
4.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		-132.51%	-152.82%	Refer to Page 12 of MFMA Circular No 71	
					Total Refuse Revenue	929 266	1 208 931		
					Total Refuse Expenditure	2 160 593	3 056 432		
5.	Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		0.00%	0.00%	Refer to Page 12 of MFMA Circular No 71	
					Total Sanitation and Waste Water Revenue	-	-		
					Total Sanitation and Waste Water Expenditure	-	-		

**APPENDIX H**  
**RICHMOND LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
B. Distribution Losses									
1.	Electricity Distribution Losses (Percentage)	((Number of Electricity Units Purchased and/or Generated - Number of Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%		0.00%	0.00%	Refer to Page 13 of MFMA Circular No 71	
					Number of Units Purchased and/or Generated	-	-		
					Number of Units Sold	-	-		
2.	Water Distribution Losses (Percentage)	((Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified) x 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%		0.00%	0.00%	Refer to Page 13 of MFMA Circular No 71	
					Number of Kilolitres Purchased and/or Purified	-	-		
					Number of Kilolitres Sold	-	-		
C. Revenue Management									
1.	Growth in Number of Active Consumer Accounts	((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None		16.80%	24.77%	Refer to Page 14 of MFMA Circular No 71	
					Number of Active Debtors Accounts (Previous)	3 042	2 438		
					Number of Active Debtors Accounts (Current)	3 553	3 042		
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue ) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		13.66%	19.60%	Refer to Page 15 of MFMA Circular No 71	
					CPI	4.70%	6.60%		
					Total Revenue (Previous)	85 160 248	71 207 134		
					Total Revenue (Current)	96 796 236	85 160 248		
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI		16.17%	13.88%	Refer to Page 15 of MFMA Circular No 71	
					CPI	4.70%	6.60%		
					Total Revenue, excluding Capital Grants (Previous)	59 176 395	51 964 974		
					Total Revenue, excluding Capital Grants (Current)	68 744 540	59 176 395		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		6 Days	1 Days	Refer to Page 16 of MFMA Circular No 71	
					Trade Creditors	841 700	119 352		
					Contracted Services	7 583 504	5 916 939		
					Repairs and Maintenance	2 545 247	2 583 435		
					General Expenses	17 334 852	14 818 648		
					Bulk Purchases	-	-		
					Capital Credit Purchases	26 958 617	24 100 021		
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0.03%	0.37%	Refer to Page 16 of MFMA Circular No 71	
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	18 608	232 917		
					Total Operating Expenditure	69 630 079	62 148 972		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		45.17%	45.31%	Refer to Page 17 of MFMA Circular No 71	
					Employee / Personnel Related Cost	27 440 156	24 411 536		
					Councillors Remuneration	4 013 283	3 750 576		
					Total Operating Expenditure	69 630 079	62 148 972		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		10.89%	9.52%	Refer to Page 17 of MFMA Circular No 71	
					Contracted Services	7 583 504	5 916 939		
					Total Operating Expenditure	69 630 079	62 148 972		
					Taxation Expense	-	-		

**APPENDIX H**  
**RICHMOND LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
E. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		9.64%	34.07%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	2 356 889	8 362 212		
					Borrowings	242 307	-		
					Total Capital Expenditure	26 958 617	24 544 519		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		8.74%	34.07%	Refer to Page 18 of MFMA Circular No 71	
					Internally Generated Funds	2 356 889	8 362 212		
					Total Capital Expenditure	26 958 617	24 544 519		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		31.80%	33.06%	Refer to Page 18 of MFMA Circular No 71	
					Total Revenue	96 796 236	85 160 248		
					Government Grant and Subsidies	74 934 616	65 595 223		
					Public Contributions and Donations	-	-		
					Capital Grants	28 051 696	25 983 853		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		79.08%	73.45%	Refer to Page 19 of MFMA Circular No 71	
					Actual Capital Expenditure	26 958 617	24 544 519		
					Budgeted Capital Expenditure	34 091 438	33 415 800		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		93.81%	90.04%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Expenditure	69 630 079	62 148 972		
					Budgeted Operating Expenditure	74 222 812	69 020 789		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		97.84%	92.82%	Refer to Page 20 of MFMA Circular No 71	
					Actual Operating Revenue	96 796 236	85 160 248		
					Budgeted Operating Revenue	98 933 703	91 750 692		
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		102.34%	102.33%	Refer to Page 21 of MFMA Circular No 71	
					Actual Service Charges and Property Rates Revenue	10 593 797	9 842 923		
					Budgeted Service Charges and Property Rates Revenue	10 352 000	9 618 820		
Interpretation of Results:									
	The green colour indicates that the result is within the norm and is acceptable.								
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.								
	Data should be captured in the blue coloured cell to calculate a ratio.								
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.								